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MINISTRY OF TRANSPORT.

RATES ADVISORY COMMITTEE.

GENERAL REVISION OF RAILWAY RATES AND CHARGES.

PROCEEDINGS OF MEETING

HELD ON

14TH OCTOBER, 1920.

TWENTIETH DAY.



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MINISTRY OF TRANSPORT.

GENERAL REVISION OF RAILWAY RATES, TOLLS AND CHARGES.

OLD HALL, LINCOLN'S INN, W.C.2.

Tuesday, 11th May, 1920.

Terms of Reference:—

"The Minister having determined that a complete revision of the rates, fares, dues, tolls and other charges on the railways of the United Kingdom is necessary, the Committee are desired to advise and report at the earliest practicable date as to:—

- "(1) The principles which should govern the fixing of tolls, rates and charges for the carriage of merchandise by freight and passenger train and for other services.
 - "(2) The classification of merchandise traffic, and the particular rates, charges and tolls to be charged thereon and for the services rendered by the Railways.
 - "(3) The rates and charges to be charged for parcels, perishable merchandise and other traffic conveyed by passenger train, or similar service, including special services in connection with such traffic."
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MINISTRY OF TRANSPORT.

RATES ADVISORY COMMITTEE.

GENERAL REVISION OF RATES AND RAILWAY CHARGES.

PROCEEDINGS OF MEETING

HELD ON

14TH OF OCTOBER, 1920.

PRESENT :—

F. GORE-BROWNE, Esq., K.C. (*Chairman*).
SIR WALTER W. BERRY, K.B.E.
W. J. DAVIS, Esq., C.H.
W. A. JEPSON, Esq.
L. A. MARTIN, Esq.
W. M. ACWORTH, Esq.
S. J. PAGE, Esq. (*Secretary*).

TWENTIETH DAY.

MR. J. H. BALFOUR BROWNE, K.C., appeared for The Federation of British Industries.

MR. S. E. MACASSEY (instructed by Messrs. Vizard, Oldham, Crowder and Cash) also appeared for the Federation of British Industries.

SIR JOHN SIMON, K.C., SIR LYNDEN MACASSEY, K.C., MR. BARRINGTON WARD, K.C., MR. BRUCE THOMAS, and MR. MAURICE ALEXANDER, C.M.G., appeared for the Railway Companies' Association.

MR. EUSTACE HILLS, K.C., and MR. ARTHUR MOON appeared for the North London Railway.

MR. ROWLAND WHITEHEAD, K.C., and MR. G. W. BAILEY appeared for the St. Helens and Widnes Manufacturers and Traders.

MR. ROWLAND WHITEHEAD, K.C., MR. EDWIN CLEMENTS and the HON. REGINALD COKE, D.S.O., appeared for the Iron and Steel Federation.

MR. G. H. HEAD appeared for the Livestock Traders' Association (instructed by Messrs. Maxwell, Brownjohn & Co.).

MR. JACQUES ABADY (instructed by Sir Thomas Ratcliffe-Ellis) appeared for the Mining Association of Great Britain.

SIR ROBERT ASKE (instructed by Messrs. Botterell & Roche and Hill Dickinson & Co.) appeared for the Chamber of Shipping of the United Kingdom and Liverpool Steamship Owners' Association.

MR. F. G. THOMAS (instructed by Messrs. Francis & Calder) appeared for the Association of British Chambers of Commerce.

MR. W. A. WARDLEY (instructed by Messrs. Adler & Perowne) appeared for the Association of Railways.

MR. EDWIN CLEMENTS also appeared for the Mansion House Association on Railway and Canal Traffic and the Timber Trade Federation of the United Kingdom.

MR. JACQUES ABADY (instructed by Messrs. White and Leonard) appeared for the Federated Home-Grown Timber Merchants' Associations.

MR. F. D. MORTON (instructed by Messrs. Bower, Cotton and Bower) appeared for the London Central Markets' Association.

MR. ARTHUR MOON (instructed by Mr. Bernard Wicks, agent for Mr. H. A. Sanders, Chesterfield) appeared for the Association of Smaller Railway Companies.

MR. S. E. MACASSEY (instructed by Messrs. Vizard, Oldham, Crowder and Cash) appeared also for the British Dye Stuffs Corporation.

MR. CHARLES DOUGHTY and Mr. R. T. MONIER-WILLIAMS (instructed by Mr. George Corner, Agent for Mr. Ernest Farrington) appeared for the National Federation of Fruit and Potato Traders' Association (Incorporated), Ltd.

Sir John Simon: I wanted, if I might at once, to call Mr. Wedgwood, because we should like to clear up the position about Classification, and we have,

more particularly in view of one or two things that were said yesterday afternoon, prepared ourselves to do it at once.

MR. RALPH LEWIS WEDGWOOD, C.B., C.M.G., recalled.

Chairman: I would like to go through this statement with you first, Sir John, and see what the position the railway companies really take is. Paragraph 1, put shortly, is that the railway companies

ask for £10,000,000 more revenue. Upon that I understand they are agreed, and they have no hesitation. They realise that that has got to be divided between the different companies, and at present they

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[Continued.]

have not got any proposal whatever to lay before the Ministry as to the manner in which that is to be done; is that the correct position?

Sir John Simon: Subject, I think, to this: We rather gathered from what you said, and I think said more than once, that you did not consider that the question of how individual units in the future, whatever they are, are to be individually sustained was a question which this Committee was going to deal with.

Chairman: It may be a very material matter for us to know before we make a recommendation on what abstract principles the rates are to be fixed with regard to the different companies. I understood we were told yesterday that it would be practically impossible to have uniform rates.

Sir John Simon: That is undoubtedly so.

Chairman: I understand that to be your view. If that is so, there must be some alternative, and the principle upon which the rates can be divided between, what I call for short, the richer and the poorer companies is a matter which it seems to me will have to be settled before we get to work to fix the rates; that is one of the general principles which I understand the Minister referred to us for advice, and you are not prepared to give any.

Sir John Simon: Well, these are difficult things; I do not know whether that is quite so. I follow this, that the Committee would desire, as you regard it at present, to report to the Ministry of Transport how they think it might be possible for different railway units not yet defined, of course, to secure themselves as being individually solvent.

Chairman: Certainly, something to that effect. In the earlier stages of this Inquiry the traders put forward the desirability of a uniform rate for the whole country?

Sir John Simon: Yes.

Chairman: And we certainly hoped that might be possible, and it is very desirable, if possible.

Sir John Simon: If it is a question of what is desirable, of course, the railways would agree with you at once. They are only saying, as I understand, that they do not think it is possible.

Chairman: If you are satisfied that it is undesirable we shall want to know what is to be substituted for it. You are the people who are in possession of the facts and the experience, and we certainly anticipated that you would give us help in making suggestions as to how the difficulty might be met, if it is impossible to have uniform rates.

Sir John Simon: As I have followed it, the view which the railway companies have put forward involves these two statements, and I hope they may be useful statements; they are certainly based on their experience and thought. The first is, that there is likely to be the greatest difficulty in securing the desirable end of absolute uniformity for reasons which they have given, and therefore they do not desire that the Committee, as far as their advice is concerned, should encourage the view that that is practicable; and, secondly, when it comes to a question of how you are going to have rates varying as between one railway company and another, they point out that that must depend upon what is going to be the future sub-division of railway interests.

Chairman: As regards the actual figure probably that is so, but as regards the principle upon which it is to be done, it does not seem to me that it is so. There must be an underlying principle upon which the rates will ultimately have to be fixed, so as to secure to each railway or each group a fair return for the services it renders, a return which will make them solvent railways in the sense of not only having enough to pay their out-of-pockets, but to give them some remuneration for capital.

Sir John Simon: I rather understood at the time of the last revision, when it was known what the units were, each unit propounded what it thought to be the necessary scale of charges, and the principle that underlay that scale was that the charges

were such as would produce a fair revenue to the railway.

Chairman: Is the proposal of the railway companies then that each unit shall submit a separate scale of rates?

Sir John Simon: Unless it is possible to get uniformity, which does not at present seem very likely.

Chairman: If uniformity is impossible the railway companies propose that each of the new railways, I will call them—they will be groups in most cases—should submit a separate schedule, and that that should take form, as it took form in the past, by a different order for each company.

Sir John Simon: That was my understanding, and I thought, I confess, it was the understanding of the Committee, because I have a recollection that yesterday some questions were asked as to whether the North Eastern—it might be the North Eastern and the Hull and Barnsley—would not be ready before some other railway groups.

Chairman: I do not think the question was put in that way. The question that was put was: "How long would it take." Sir Alexander Butterworth suggested nine months, and then he corrected himself and said: "After all, I am speaking for the North Eastern Railway." Then the question was put: "I suppose some of the others would want 18 months."

Sir John Simon: I see, Sir; I have misunderstood it, perhaps. I thought he said: "For my group"—which is the group of the North Eastern and the Hull and Barnsley—"it would be a comparatively simple combination and therefore it would not take so long as in the case of other combinations which were of a more elaborate kind."

Chairman: I did not so understand it, but he may well have meant that each one would be dealt with separately. I am asking you now—I do not know that it matters—

Sir John Simon: Except that I have no authority in the matter, and I should be sorry, as Sir Alexander is not here, that there should be any misunderstanding. I will just find out. I think I have got the passage in yesterday's Note at page 71. At the top of the second column I see you are reported as saying: "Just let me get clear what the proposal is. The various steps would be these: First, an Act of Parliament to be passed in the current year if Parliament sees fit. It would be passed some time in the summer of next year. Then that Act should direct the railway companies to deposit schedules of rates, tariffs and classification, and should give them a time for that. In the North-Eastern case nine months would be sufficient, but probably a greater time would be required by other railway companies." My understanding had been that that was spoken from the point of view of the different Railway Companies producing proposals. The earlier passage about it is in the left-hand column of the same page in answer to Question 6845, where Sir Alexander says: "Take my own case"—by which I understand him to mean the North Eastern case—"What is to be the future North Eastern Group? Suppose it is the North Eastern plus the Hull and Barnsley. Suppose that is said; as soon as that is said we can start. The new amalgamated company can start"—I think that means the North Eastern and the Hull and Barnsley can start.

Chairman: Yes, I think so.

6914. *Sir John Simon:*—"as we did thirty years ago—it is the same old thing—preparing a schedule. We can apply that to our new traffic. We shall know more about what the future traffic is likely to be then. We can apply it, and we can say what schedule of charges are yielding us a reasonable revenue. We can begin then, but we cannot begin till then." Then I think either you or I asked the question 6847: "Are you speaking generally, or are you speaking of the North Eastern Railway?—I am speaking of the North Eastern."

6915. Shall we say eighteen months for the others? Well, I would rather they spoke for themselves." Then I think he points out somewhere, that, for instance, what is in the White Paper called the North Western group what would be the position there. I am obliged for your indulgence in letting me search for it; it is in the right-

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[Continued.]

hand column of page 71, where in answer to Question 6851 Sir Alexander says: "Take the western group"—I think that ought to be the North Western group for these five companies which it is proposed to amalgamate is quite a different problem from what it is if you take them individually. It does not seem to us fair to anybody—I do not say to the railway companies; perhaps we are the last to be considered—to set about a job that might turn out to be entirely useless, because you find that your unit is going to be something entirely different." Mr. Gore-Browne, if I may say so quite candidly, I perfectly understand that it is disappointing that railways companies cannot offer more complete counsel. That I quite understand, and I assure you it is disappointing to those I am speaking for as well as it must be to others, but is it not, with very great respect, fair to say that the railway companies, who have really given a very great deal of time and thought to this, have offered you two conclusions, which whether they are pleasant or not are contributions, if they are well-founded, of much importance; the first conclusion being that it is one thing to arrive at an over-all figure of revenue and profit, but when you come to fixing what the charges are they do not think it at all likely that there can be absolute uniformity, and they believe that proposals will have to be made by each unit, whatever that unit is.

Chairman: At any rate, you have made that clear now, but it is not in this printed statement clear what is to be done. The statement here is: "These can only be dealt with satisfactorily in conjunction with discussion of the proposals put forward by the Ministry of Transport, with reference to the future of railways." That seemed to contemplate that it should be done somewhere else within the course of the next few months; that it should be discussed with the Ministry of Transport, and it could then be satisfactorily disposed of. Reading this again last night, I came to the conclusion that it was the intention of the railway companies to deal with it and dispose of it, and with the principle on which it was to be done, but to do that, not here, with the Ministry of Transport.

Sir John Simon: If there is a misunderstanding I am very glad to have it corrected, but I had most clearly got the impression from some things which had fallen here that the Committee did not consider that they were concerned with questions of subdivision of the railway organisation. I quite see what you point out to me, that while that may be quite true, none the less, if it is possible for this Committee to help the Ministry of Transport by some advice as to how it is likely to produce this equality, it would be helpful.

Chairman: What is referred to us is "The principles which govern the fixing of tolls, rates and charges for the carriage of merchandise by freight and passenger train and for other services," and "The classification of merchandise traffic, the particular rates, charges and tolls to be charged thereon, and for the services rendered by the railways," and "The rates and charges to be charged for parcels, perishable merchandise," and so on.

Sir John Simon: I see your difficulty entirely.

Chairman: We have to discuss the principles. It may be that all that can be advised is that the principles will involve the necessity of each of the new railways having a separate schedule of charges.

Sir John Simon: It being understood, of course, that every effort must be made to keep them the same, but we do not believe you can proceed on the principle that they shall be the same.

Chairman: It may be that that is the first necessary principle, but it cannot stop there. There must be more in the way of what principles are to guide the making of schedules than that, as it is upon those sort of matters that we hoped to have the help of the railway companies.

Sir John Simon: I can indicate some which occur to me off-hand, which I think are involved in what the railway companies suggest to you. For instance, we definitely make the proposal that, instead of there being only eight divisions, or whatever you may call it, the divisions ought to be more numerous. I

rather think Mr. Wedgwood could give you provisionally a figure now. We definitely convey that on behalf of all the railway companies. That is a very important principle. We make the definite suggestion that everything ought to be brought within that scheme, and that exceptional rates should be swept away at a date to be fixed, save so far as in the meantime they have been individually reinstated either by agreement or by application. That is a very, very big proposition.

Chairman: I should have hoped to have found that in this paper, which I understood was going to lay down the principles.

Sir John Simon: The thing I have last mentioned?

Chairman: Yes.

Sir John Simon: Would you be good enough to turn to page 3 of the paper? I think it is very short, but here it is: "The railway companies propose that the investigation of exceptional rates shall be undertaken subsequent to the submission of the schedules of scales and tariffs, and as part of the inquiry into these to be held by the new tribunal. They suggest that it should be a provision in the new Act that all exceptional rates not specifically continued as indicated in the next paragraph shall lapse as from the 'appointed day'." Then the next paragraph is: "The 'appointed day' should be so fixed as to allow time for those traders interested in exceptionally low rates to confer with the railway companies, and, if possible, come to an agreement with them as to the rates to be charged, and, failing agreement, it should be open to any trader at any time before the 'appointed day' to apply to the tribunal for a continuance of the existing rates or some other rates below the standard scale or tariff applicable to the traffic question."

Chairman: That is just what I was pointing out. There is no suggestion as to what the principle upon which the exceptional rates are to be dealt with is to be. We are merely told that the inquiry into them is to be postponed for several years, and at the end of that time there should be a new inquiry, and after that had been concluded they should disappear.

Sir John Simon: I am merely Counsel, of course, and I am not under any personal condemnation, I hope.

Chairman: Not at all.

Sir John Simon: On behalf of the railway companies all that I wanted to point out was this, that we are asked to advise as far as we are concerned what appears to be the best and most favourable way of dealing with exceptional rates. There again the advice may be welcome, or it may not, but at any rate it is given with great knowledge and it is given with great honesty.

Chairman: But it is not given; that is my complaint. My complaint is that we are not told here at all on what principles the question of exceptional rates is to be dealt with. We are simply told it should be postponed for several years and then, when they have been dealt with, any not disposed of in the new inquiry are to be swept away.

Sir John Simon: I am not sure that you will not find that Mr. Wedgwood has something more to say about that. The object of this document was quite frankly, however *jeune* it might appear, to give you at any rate the different heads under which we had these recommendations to make, and to indicate the class of recommendations in a sentence or two.

Chairman: What I am complaining of is that, with two or three exceptions, it does not indicate what is to be done in order to enable us to give advice as to what should be the principles upon which these things are dealt with. Take, for instance, the very matter you select, exceptional rates; there is nothing in this document the least indicating to us what would be the wise advice to give in regard to how to deal with exceptional rates, except that they should be postponed and handed over to a new tribunal.

Sir John Simon: Forgive me, Sir, is that quite so? I am so sorry to seem not to agree.

Chairman: Do not put it in that way. I want you to disagree wherever you think it is necessary, and in the strongest possible terms.

Sir John Simon: Thank you. Well, it does not appear to me, with great respect, that that is a fair

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[Continued.]

summary of what appears in this paper on the subject. On the contrary, if I were called upon to formulate the principle with reference to exceptional rates, the principle is this: first, that however desirable it may appear to some people, not traders, to sweep away exceptional rates at once, it is not a practicable proposal, and secondly, that exceptional rates can only be judged and dealt with when the standard rates, the new scales and the new tariffs, are at any rate in course of actual discussion as matters of amount; thirdly, that therefore those scales and tariffs must be fixed first, but in order to get rid of exceptional rates there should be by legislation now a provision made that they shall all disappear *en bloc* at an appointed day, which must, of course, depend upon when the scales and tariffs are settled; lastly, that in the meantime the only exceptional rates that are to have a longer life than that will be those which in the interval are, either by agreement between the companies, or by the application of one or other parties to a tribunal, declared to be proper for permanent preservation.

Chairman: That leaves us with no principle as to how they are to be dealt with. That last clause of yours might maintain the whole or 95 per cent or 5 per cent.

Sir John Simon: Certainly, I quite agree.

Chairman: So everything is left as it is.

Sir John Simon: I quite agree. If the railway companies are invited to accede to a principle, that the true principle is to get rid of a certain percentage of those rates, so that they can be swept away merely because they are a given amount below or above a line, then, with great respect, we do not agree.

Chairman: But you have not said so in this document; you have left us absolutely at large on that point.

Sir John Simon: I see; that is a perfectly just criticism, but I know that is not what is intended, and it is one of the reasons why Mr. Wedgwood appears now. I am sorry it does not appear more clearly. Take classification—

Chairman: Cannot we go through them in turn?

Sir John Simon: Yes. I wanted to mention classification because you mentioned it yourself.

Chairman: The second point you make is that maximum rates shall be swept away, or should be suspended in the first instance and abolished in the second; that you put forward and I quite understand it, and it may be that this Committee, finding how very slowly things move, and that the lapse of months produces so little, may think that it is necessary that that should be left so as to come into operation in February, 1923, if steps have not been taken in the meantime to substitute something else for them, because this proposal, which we shall see presently I think could not work out until about 1925, may be very unfair to the traders. In dealing with interim revisions, we have always felt that with a revision that was only for a short time, and there was a subsequent big revision coming just behind it, one might accept railway companies' proposals, and feel that one was not doing substantial injustice to the traders, but if interim revisions are to last for five years or so, if the figure which is fixed when the present interim revision is expiring is to be a figure which will govern trade till 1925, then the traders would need to have very careful consideration given that the figures were not too high, and it may be that it might lead us to a drastic cutting down in the summer revision next year. An interim revision which is to last a few months, and an interim revision which is to last for years, are quite different propositions.

Sir John Simon: May I just make this observation on that: first of all, you have in mind that whatever the period may be, and I am afraid it is going to be a long period before all this work is done, the railway companies' proposal is that the revision of the rates, which at present are being charged, which you rightly describe as interim, is a thing which is to go on in case of need. We are not seeking, of course, to fossilise and crystallise the rates; what we are at present making; they'll remain, of course, under the hand of this Committee or its successor. The second obser-

vation I make is this—the Committee will of course recommend what it thinks fit—I have not yet understood that the Committee are disposed to recommend as the wisest course in their judgment that maximum rates which were fixed on conditions and prices ruling long before the War would be the proper maximum rates to re-establish in, say, eight months' time.

Chairman: No, but they might think that unless some very stringent motive existed to the railway companies to get on with these things they never would be got on with. We have all known about adjournments of cases for settlement; if they are adjourned *sine die* the settlement does not take place; if they are adjourned to a named day, curiously enough the settlement takes place on the evening before the named day.

Sir John Simon: You are quite right; that does happen, certainly. Supposing that ourselves and the traders in a matter of this sort were really dilatory on either side, it might be very proper. I hope that is not the view you take. If it is, it is of course not recommending something because you think it would finance the railways; it is recommending something in order to penalise.

Chairman: It would be always open to the Legislature if the railway companies appeared to be getting forward urgently, and the delay was no fault of theirs, to make an extension at a later date.

Sir John Simon: Yes; that is quite clear.

Chairman: That is quite clear. On paragraph 3 we had the recommendations in June last, and the addition to that recommendation made in June last is that, inasmuch as the railway companies are now putting forward proposals which will take a very long time to work out, the machinery should operate in the interval?

Sir John Simon: Yes.

Chairman: (4) is the same proposal as in June last?

Sir John Simon: Well, I think there is a distinction which I pointed out. It does not matter; we never proposed this; we always thought it was not necessary, but we are perfectly prepared to treat it as a proposal.

Chairman: I put it that your proposal is to accept if the traders wish it?

Sir John Simon: Well, if they do wish it.

Chairman: Then your proposal is to accept?

Sir John Simon: Yes.

Chairman: That is as laid down in June last. Now with regard to paragraph 5, the railway companies will be prepared to submit draft schedules of scales and tariffs, together with a draft revised classification and general conditions at a date to be fixed. I understand that that date would be something not less than 18 months after the passing of the Act of Parliament?

Sir John Simon: That is a matter which Mr. Wedgwood probably has an opinion about.

Chairman: Mr. Wedgwood again represents the North-Eastern Railway. If we are to have all the railways brought into line—

Witness: I can speak for all the companies.

6916. Perhaps you would tell us the date?—Twelve months is the period, we think.

Chairman: "They propose that these schedules shall then form the subject of inquiry before the new tribunal, who shall finally fix the scales and tariffs, with classification and general conditions, for adoption as from an 'appointed day,' to be fixed by the tribunal." So that the inquiry will have to begin as from the date when these schedules were lodged, and I think you mentioned that there would be a proposal that the tribunal would have authority to extend the time for lodging the proposals, and there might very well be applications for that purpose. I do not think you indicated what is to be done if the proposals were not lodged by the named date?

Sir John Simon: No, I did not. I confess I have taken the view myself that that would not be a necessary thing to discuss.

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[Continued.]

Chairman: It is always advisable to provide for all contingencies.

Sir John Simon: As long as I am not committed to prison I do not mind.

Chairman: I think in 1890 the schedules were not lodged within the limited time, were they?

Sir John Simon: I do not know, Sir; was that so? *Mr. Jepson:* They were provided for in the 1888 Act, I think, and they came in about 1890 and 1891; they were considered, and they did not operate until 1893, so that the railway companies had practically five years then.

Sir John Simon: I do not know whether Mr. Jepson's recollection goes sufficiently far to tell us that the railway companies were really very dilatory, or whether they had good reason.

Mr. Jepson: They were working night and day, and the pressure killed a good many people. I was through it all, so I know exactly what took place, and really when the date was fixed on 1st January, 1893, the railway companies were not ready. The result was they had to abolish all exceptional rates then in 1893 which gave rise to disturbance in the country, the result of which was the panic legislation of 1894. The traders' side may smile, but I think that is the fact, and it has been admitted in the Railway Commissioners' Court.

Chairman: There the whole of the classification and the whole of the conditions are postponed until the railway company lodges those schedules.

Sir John Simon: No, I think not. I want you, of course, and you will naturally, to take your own course in going through these now, but it is because I thought that impression had been created, and I am bound to say from the phraseology not unnaturally created, that I was anxious, as soon as convenient to the Committee, to deal with that, because that is really not the intention. It is, I quite agree, capable of being so understood.

Chairman: It is the only meaning, is it not, "together with a draft revised classification and general conditions"; than they are to be fixed by the tribunal.

Sir John Simon: I may anticipate what I know Mr. Wedgwood wants to say when the time comes. The railway companies (and here again Mr. Jepson's experience may help us all) are quite clearly of the opinion that if the desire is, as I suppose it is, to get rates and charges fixed so that you have the best chance of really producing the total, which is the better total with due regard to the burden you put on two kinds of articles, the proper course is to have the two variants, the classification on the one hand, and the size of the rates on the other, being adjusted together. They are quite clearly of that opinion, and do not let there be any misunderstanding. The reason is obvious, that if you are aiming as the result of a series of trials and calculations at just charging enough and not too much, if both those things are being settled side by side, you may sometimes do it most properly by taking something and moving it into a higher or lower class, whereas another time you will do it best by moving up or down in the money column. Therefore to fix the classification first means that you clamp one of the moving arms of the calculus, and you have to do it all whether you like it or not by fine adjustments of the other arm. That is our clear view, and it is a perfectly possible thing, and we are perfectly prepared to name now exactly when we can do it. We can give you, if you like, if that is what your Committee wishes, as Mr. Wedgwood will tell you, the eight classes within a very short time; we can give you 21 if you want it two months later, but do not understand us to be recommending that as the best way to do it. That is, of course, entirely for you. If you decide that it is to be done in that way, very well then, we can make our classification without any regard as to what will be the result of pricing the lists out, but the results undoubtedly will be that when you come to settle your rates and wages you will not be able, with anything

like the same precision or scientific accuracy, to get exactly the right resultant from the two factors.

Chairman: Of course, there is this other view of that: if the railway companies were doing it entirely alone in their consulting rooms they would, of course, be able to do as you say—bring about the exact result they desired either by altering classifications in one direction or the other as well as by altering the governing rate, but seeing that this obviously will have to be an inquiry in which the traders will be heard and individual traders will say: "We are classed too high," or, "We are classed too low," and therefore alterations will be made in the classification at the instance of the trader (sometimes they will prove right) that nicety of adjustment will no be possible, because the railway companies' case will have been heard and closed and the tribunal that is disposing of it will have gone away to consider how it is to give its decision.

Sir John Simon: Quite true, Sir.

Chairman: You might decide either one or other first. Presumably the classification would come first and the railway companies would really hardly be in a better position introducing the two things together, because they would not know what the decision of the tribunal was going to be upon a number of points that the traders would raise.

Sir John Simon: There is very great force in that undoubtedly, but I want you to understand that I know, from the consultations we have had, the railway companies are perfectly willing, and Mr. Wedgwood can tell you now, I think, with chapter and verse, exactly how soon he can deliver the goods all within the compass of the present calendar year. If it is desired that the Committee should enter upon classification quite independently of any question of charge as the first step it can perfectly well be done. The only thing is that we have our own duty to discharge to you, and the railway view unquestionably is that it is not as a matter of fact a good plan; it is not the best plan, but it is a perfectly practicable plan to make a list of things in divisions or groups as one operation, and then what I quite admit would be some time afterwards to come to the question of pricing, because the result of having put something into a higher group may very well be that everybody else in the group will be charged a trifle more or a trifle less as the case may be than if the re-engagement was something rather different; that is all.

Chairman: It would not really be advanced unless you got the decision of the tribunal before you came to fixing the figures for the rates.

Sir John Simon: It may be, but I hope you understand we are not throwing the slightest obstacle in the way. If you and your colleagues say that you desire, as soon as this first stage is over, to deal with the subject of classification, we are prepared to co-operate and to operate straight away. Do not let it be supposed that that involves any great consumption of time before we are ready; it does not at all.

Mr. Jepson: I would remind you that in 1891 and 1892 classification was dealt with as quite a separate matter from the rates, and my recollection is that when it came to a question of quantum there was such a difference of opinion between the railway companies under the various schedules that they submitted for their respective companies, that the matter was taken out of their hands by the Board of Trade, and the Board of Trade codified to a large extent and submitted their own draft schedule to each of the railway companies. It was the Board of Trade draft schedule, so far as quantum of maximum rates was concerned, that went to the Joint Committee.

Sir John Simon: Quite.

Mr. Jepson: It was that that was thrashed out, and I have not the slightest doubt, rightly or wrongly, that it led to a greater codification than would have taken place if the matter had been left in the hands of the railway companies alone.

Sir John Simon: Well, the railway companies and traders.

Mr. Jepson: The railway companies and traders.
Sir John Simon: I should think it is quite likely so, and we are perfectly prepared to do what is de-

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sired about that. May I give you just one reference to show one thing we are rather anxious to have cleared up. It is on the 23rd July, the eight day of the Interim Inquiry, at page 275. You were at that date indicating to us most clearly that you wanted us to get on with the preparation for classification. You put it most clearly, and we have not the slightest ground for not understanding what your contention was, but at the top of the second column I then asked this, you may remember: I said that we should like to know whether the intention was that we were to get on with the preparation of the classification into eight classes, or whether the intention was to increase the number to 20 or 25 by introducing intermediate lists, and you said this at page 275—I am not quite sure whether this is the way in which you want it dealt with now, but it is just to be perfectly plain and have no confusion: “We ask in the first instance to keep the eight and possibly coal as the ninth, and then when we come to it at a later stage to talk about tariffs. Those would be sub-divisions of the eight, not taking one out of its place in the eight, but making a sub-division of it. If that ought to be taken out of its place in the eight that ought to be done before we begin working on the tariff.” Then you made it particularly clear, I recollect, and either you or Mr. Jepson held up the yellow book, the working classification, and the Chairman said: “Taking the yellow book as the basis up to fire will be each a separate class” that is A, B, C, D and E. As a matter of fact, we are prepared to better that instruction if you wish it. We could, if I follow rightly, give you the mere moving about between the eight first, and we should, I think Mr. Wedgwood would say, in another two months (because Mr. Wedgwood will tell you there has been a committee of five people on it who have been working on this for some time) give you the intervening strata, and what has occurred to us is this: we doubt very much whether it would be a useful exercise to spend a great deal of time in merely sorting the cards into eight piles, because we must definitely recommend, and we rather gather you sympathise with the view, that in the end we should not have eight piles to price but we should have, it may be, 20 or 25 at least. It seems to be rather a useless thing to discuss exactly where you are going to put the card among eight piles, when what you are going to do in the end is to have 25 piles. Therefore, we believe it would be quite possible, though it is a much more severe piece of work (this committee has been working at it) to give you, if you like, the scales and tariffs in the 25 rather than the eight.

Chairman: I quite follow. I must say that is very much more satisfactory than this document.

Sir John Simon: Well, I am not inventing this; I have got it all down on a piece of paper, and Mr. Wedgwood came into the box to give it to us this morning.

Chairman: Now returning to page 2, No. 5. “The schedules will be prepared with the aim of securing the maximum of simplicity and uniformity in the practices and charges of the various companies, and also of encouraging the consignment of traffic in quantities which will lead to the economical use of rolling-stock.” There, I may say, we would wish to know at the earliest stage possible—perhaps Mr. Wedgwood is going to tell us something of it to-day—the general principles upon which goods will be included in the schedules for that object.

Sir John Simon: Yes.

Chairman: There was a letter written in August when I was asked what it was that the tribunal desired, and that contained a suggestion which was not meant to have anything like binding force, but to indicate to the railway companies what sort of matter it was hoped they would give us advice upon, and it is suggested that there would be the possibility of that being done by a percentage with, of course, the possibility that it would be, instead of by a percentage, by an alteration of the class. I do not think the letter refers to it, but I think I had

in my mind that, of course, a good deal of it would be done by the tariff arrangement, but I certainly hoped, and I think we all hoped, that the matter would be explained to us, and the views of the railway companies expressed upon it, not that it would merely be left to be introduced for the time when the schedules were brought in two years hence.

Sir John Simon: Yes, I quite agree. Chairman: I do not know whether Mr. Wedgwood will be able to tell us to-day that that should be indicated to us, so that we may express our opinion upon it in making our report?

Sir John Simon: That, I take it, would be one of the things that you would like to deal with specifically in your report, though not necessarily one of the things you would recommend to be actually embodied in the Act of Parliament drafting the Order.

Chairman: If the railway companies were quite clear how they wished it to be done, and if the traders said they agreed, then there would be no objection to putting into the Act of Parliament that the schedules should be constructed on that particular principle. The amounts of the rates, as everybody understands, are not to be now stated, and if the railway company said: “We feel that at the present time it would not be wise to commit ourselves as to the percentage,” should it be by a percentage, then probably that could be left too. On the other hand, it would be very satisfactory if they could say, and if we could, when we come to settle the classifications, add to the classifications either in the form suggested in that letter by being set out in fact or by an indicating letter or something of that sort, that when goods were consigned in large quantities a percentage reduction would be made, or there would be removal from one class to the other. If it was removal from one class to the other it might very well be a matter of classification.

Sir John Simon: On a number of these things it has occurred to me that this is primarily a matter for the Government draughtsman. The form the Bill may perhaps take would be to indicate in express terms what was thought proper by way of principles to be followed, and then to have a more general revision, and in other respects to follow, as far as circumstances permit, the recommendations of the report which you are making so that the tribunal, in dealing with the thing, will have certain fixed principles laid down, but that your report might contain suggestions which were not yet sufficiently precise and defined to become statutory rules, and yet could be referred to in that way.

Chairman: I always believe in a good deal of elasticity, and therefore I would certainly fall in with what you are suggesting, that the Act of Parliament ought not to be too rigid in saying a thing shall be exactly so-and-so and so-and-so, but it may lay down the general principles within which there would be a certain amount of variation possible.

Sir John Simon: Yes.

Chairman: But there, again, this document led us to think that nothing was going to be done for two years in the way of arriving at what was to be the rule.

Sir John Simon: I think we have drawn it in too depressing a form.

Chairman: It was in a very depressing form. Then, exceptional rates we have spoken about. You know that if it is possible to do something promptly both the Ministry of Transport and ourselves are very anxious to do it with regard to the exceptional rates. Speaking for myself, I am very much impressed with the fact that a great number of the exceptional rates undoubtedly belong to water competition, which, for the time being, is non-existent—I certainly do not say dead, because it is capable of being revived—and for that reason they are abnormal. We were also satisfied by what Mr. Wedgwood told us, and impressed by an instance that he gave us at the time of the interim inquiry, that it was very, very difficult to deal with any of those matters by a sweeping rule. Some rates which appeared to be due to water, which

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were so large that they must have been due to water, were promptly compared with another rate which was certainly not due to water, because there was no water competition, but it was as big, and the reason why it was so big was unknown to us, so we do see there would be great difficulty on it. On the other hand, to postpone it for four or five years might just defeat one of the objects which, at any rate, is a very important one in connection with exceptional rates, namely, that at this time they are not wanted at all because there is no water competition, and they have got into quite an anomalous state, and in the interests of the traders, speaking for myself again, I desire to see water competition kept alive, while, on the other hand, I always bear in mind that if water competition revives in the sense of becoming a very active competitor, the railway companies must have an opportunity of meeting it by again reducing their rates. I am not at all of the view which has been strongly impressed upon us, that railway companies should never be allowed to compete with water carriage. If, then, railway companies can find some way of dealing with that matter, I think it is very important—I will not say more at the moment, because I know it is very difficult.

Sir John Simon: I think it is clear now to all of us; I quite follow what you say.

Chairman: With regard to cartage, that seems to be a satisfactory statement, similar to the one made in June.

Sir John Simon: There is just one thing you mentioned, and I do not imagine you wish to abandon it, and that is "except in Scotland."

Chairman: True. We should want to hear whether there is any reason why Scotland should differ. You have, as regards owner's risk and company's risk—

Sir John Simon: May I just say this to you to show you that, at any rate, in this instance, what we happen in general terms has been done in express and detailed form. I told you yesterday that Mr. Hunt was going to produce what we submitted should be the standard forms. Here they are: they are all typed for what is called the A.B. Railway, the different classes of goods, goods at company's risk, goods at owner's risk, damageable goods, live stock, and all the rest of it, so that is, as a matter of fact, a piece of work on which I think the Committee has been engaged, and it is done, as far as we are concerned, and it has been done with a great deal of thoroughness, I think, and a great deal of care.

Chairman: That is the form which you propose, and I think you made your position clear in June. I do not understand what the paragraph at the top of page 4 means?

Sir John Simon: You mean on the questions of conditions of carriage generally?

Chairman: It says: "On the question of conditions of carriage generally the railway companies are willing to agree to an alteration of the existing law relating to the attachment of conditions to a contract of carriage." Does that merely refer to the paragraph which follows?

Sir John Simon: I think so. It refers to this as you know well, and we all know; at present there often is litigation on the question of whether or not a particular condition is reasonable or not. Our proposal is that we should get rid of all that fruitful topic of dispute, and there should be statutory conditions which would necessarily, of course, be followed, because they would be statutory, and therefore would be presumed reasonable, and the additions or changes in them would in the same way be given with the sanction of an authority so that there would never be any dispute as to whether the railway company tried to put on people unreasonable conditions.

Chairman: I think that would be very satisfactory to the traders. How do you propose that the terms of those conditions should be brought forward? You are going to propose some particular standard conditions?

Sir John Simon: Yes. Our suggestion is this, subject of course to what the traders may say, that your Committee, if you favour this proposal of ours, should settle what you think the standard conditions should be, and that these would be included in your report, and that your recommendations on this head would be that standard conditions ought to be statutory and that charges for, say, owner's risk or company's risk, whatever it may be, will mean carriage on these standard conditions, and further that you should propose that any alteration or addition to those standard conditions should not be made by simply adding it in small type one fine day at the back of the form, but should have to be done by application to the tribunal which should decide whether this addition ought to be made and whether it was a reasonable one or not.

Chairman: As I say, I believe that would be very satisfactory to the traders but the particular forms of condition will be submitted for consideration and for criticism by the traders at once.

Sir John Simon: They are ready now. I am quite prepared, if it is a convenience to my friends, to let them see copies while this is going on, but we were going to call Mr. Hunt as the next witness who will produce them and explain them; I think it will be almost better if he did explain them really.

Mr. Jepson: The modifications in the existing form being those that have been already discussed before this Committee.

Sir John Simon: That is the point. The object of the whole thing really is to get rid of the County Court actions which sometimes go up to the House of Lords on whether or not some condition is reasonable; I think that is in the interests of everybody.

Chairman: I think it is. Then the next heading is: "General merchandise and live stock." As I understand that proposal we shall hear whether the traders take any objection to it.

Sir John Simon: You observe there, because there is something which is rather important in it—I know you follow it exactly—our proposal is that, in the absence of a written direction, the Statute should itself prescribe what are the standard conditions upon which goods are being carried, and therefore it will lie upon the consignor, if he desires one of the alternative forms, to give a written direction to that effect.

Chairman: Yes, which no doubt would be reflected in the rate.

Sir John Simon: Oh, of course. When these rates are all settled one of the things you will see of course will be "owner's risk, so much; company's risk, so much."

Chairman: Now your suggestion as regards damageable goods is quite intelligible. I know the traders do not like it, but there it is. You have made it quite clear.

Sir John Simon: I want to make another contribution which may be against my side. There was a little omission pointed out yesterday. I do not think we can claim to have considered, as I should like to be able to say we had fully and carefully, what was mentioned last week. There were instances given last week, and we are going to see whether we cannot say something about them, but I am afraid it will not be very encouraging.

Chairman: At any rate, we understand what you are putting forward there, and if you can qualify it in the direction the traders wish, well and good. These clauses which Mr. Hunt is going to produce will include the proposed standard conditions for merchandise and live stock and damageable goods.

Sir John Simon: That is right.

Chairman: Then with regard to dangerous goods you reaffirm the position which you took up in June?

Sir John Simon: Yes, subject to this, that we have again thought what is desirable is that there should be a statutory prescription as to the conditions on which dangerous goods are being carried, and if anybody is seeking to get them altered then the company must be requested in writing to convey at company's risk. If we can do that, of course well and good.

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Chairman: Yes. There again specimens of the conditions applicable will be submitted by Mr. Hunt?

Sir John Simon: I am not quite sure about that. I thought what we proposed to have as statutory conditions were the general owner's risk, the general company's risk, the live stock and damageable goods.

Chairman: Then what do you refer to when you say, "If the company is requested in writing to convey at company's risk the standard company's risk conditions applicable to the particular class of dangerous goods shall apply"?

Sir John Simon: That means the statutory conditions, but I thought you meant the ordinary conditions upon which dangerous goods would be carried.

Chairman: There again you have got "subject to the standard owner's risk conditions applicable to the particular class of dangerous goods." Are not you going to submit the form that these are to take?

Sir John Simon: I had not for the moment followed. What is pointed out to me is this really, that the actual set of conditions upon which dangerous goods are carried vary very much according to the particular class of dangerous goods as one can well understand. If it is gunpowder, obviously you want conditions of quite a different sort from those where it is some dangerous inflammable oil. There are, I believe, a considerable number, 14, 15 or 16. They are discussed a good deal by the companies' chemists when they are negotiating with these big chemical manufacturers. We do not propose to put all that into a standard.

Chairman: Does that mean that you propose to reserve to yourselves the right to declare those conditions and publish them in the general railway classification of goods? You would claim that you might alter them as and when you please.

Sir John Simon: Of course we do claim that. We say, and we are in a strong position because we may effectually claim we are doing what is in our view necessary, not only to protect ourselves but other people's goods as well—

Chairman: I know that argument.

Mr. Jepson: They are subject to constant variation in accordance with the different circumstances arising.

Sir John Simon: I recollect one of the cases in the Railway and Canal Commission Court recently; I knew nothing about it before, and I was perfectly amazed to discover what an amount of science and detail there was in settling the exact conditions for the carrying of some inflammable oils. It involved the prescription of special tests, and the bringing in of all sorts of chemical formulae, and I do not think that would be very suitable for a statutory enactment. Of course, it depends on the growth of science. There was a time when people did not know that picric acid was a dangerous thing to carry.

Chairman: There was a case the other day where two things were placed side by side and a tremendous explosion took place. The point in the case really turned on the liability of directors in a one-man company, but it was unknown that the particular article was explosive, and it seems it was only explosive when it got mixed up with something else.

Sir John Simon: It is a class of scientific discovery that is going on always; of course, in the T.N.T. factories they have learned a great deal in the processes about the conditions under which you get danger; I am not sure that the word "explosion" is the right word.

Chairman: At any rate, your proposition is intelligible there. Then No. 9 is: "The scales and tariffs to be submitted will be in the form of inclusive S: to S. rates, i.e., inclusive of conveyance and terminals, but exclusive of cartage. In each case, however, they will set out clearly the amount of the terminals included in the rate. These will be given under two headings: (1) Terminal accommodation, etc., at station or siding. (2) Service terminals (if any). The railway companies propose that the accommodation and services provided in connection with delivery to, or collection from, a private siding shall, unless otherwise agreed, be deemed equal to the accommodation and services provided at a terminal station."

Does that include loading and unloading and covering and uncovering?

Sir John Simon: Yes.

Chairman: It says: "Unless otherwise agreed." Does that include the case of existing agreements?

Sir John Simon: I think it does.

Chairman: If there is an existing agreement as to what shall be paid at a private siding that would continue to operate?

Sir John Simon: Would you help me about that, Mr. Wedgwood? It is a technical thing. That is my understanding entirely.

Witness: I do not know that it is possible to say that it would not.

Mr. Jepson: Is it limited to existing agreements—when I say "agreements" I mean formal written agreements—or do you mean "unless otherwise agreed by correspondence that a certain rate shall be allowed"?—This phrase was not intended to cover existing agreements; it was intended to cover the case where the trader and the railway company might by agreement in the future decide on some greater payment one way or the other.

6017. *Chairman:* What I mean is this: if you have got a siding where there was at the time of the construction of the siding a definite agreement as to what services should be rendered and what payment should be made, do you mean that this new enactment should override that?—The agreements are all in process of being revised now in connection with the increase of rates. They would, I think, be subject to revision in connection with this proposal.

6018. Then your answer would be that unless an agreement was in fact not terminable it would be disposed of by being determined?—It would come under this proposal.

6019. You would have to give notice to determine it?—Oh yes, all the usual arrangements.

6020. The new enactment would be subject to existing agreements. The railway companies could get what they desired by giving notice terminating the agreements, and then there must either be a new agreement or if the parties cannot come to terms either party can go to the tribunal?—Yes.

6021. *Mr. Martin:* The trader could give notice as well?—Oh yes, I think they are all on a terminable basis.

Sir John Simon: It is pointed out to me by the gentleman instructing me that, of course, it must not be assumed that the supplanting of existing formal agreements and the implying of this new principle is a change that always operates to the advantage of one side. There will be cases no doubt, owing probably to the fact that the railway company has laid out a large sum of money in making a connection, where the terms as regards payment are good for the railway company; that will have to go and will have to be dealt with on this basis, but that siding user as well as anybody else will be entitled to come and show if he can that really he is entitled to some relief.

Chairman: I want it clear. Is it to be understood that the intention here is that existing agreements should be overridden. Assume one not to be terminable, or to be terminable only by lengthy notice; it might be a case, of course, where the railway company has expended large sums in constructing a siding, and they may have made an agreement that they are to receive payments for a period of years; is that to be overridden by the Statute?

Sir John Simon: The view of those round me really is: That if I were simply speaking for the railway companies' interest, the interest of the railway companies might very well be to say, "No; preserve them." But I think the traders in such cases would probably come forward and say: "As there is going to be this general rearrangement we must be entitled to come in like other people." Is not that so, Mr. Wedgwood?

Witness: I think that is so.

Sir John Simon: The proposal that existing agreements should be cancelled is not a proposal that simply means that we are going to get more out of it necessarily at all. It may very well mean that a

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trader with an existing agreement will demand as a piece of fair play that he ought to be at liberty to revise his charge.

Mr. Jepson: That is as I understand it. For instance, we had a case before us the other day—Mr. Clements brought it up—of Mitchell's and Butler's. In the form of agreement, or that which he said was an agreement, certain fixed amounts as cartage rebates and siding allowances were agreed. It is common knowledge that since that agreement was entered into, owing to the advance in railway rates, the amount of cartage rebate and the amount of siding allowance in many cases has been increased. In a case like that, of course, one would assume that Mitchell's and Butler's would not ask slavishly for this agreement to be preserved. They would say: "If the agreement is to be preserved it must be subject to increased allowances to us."

Sir John Simon: I should have thought so. I think the railway companies have to face that.

Chairman: There must be thousands of cases like that.

Sir John Simon: I should have thought so.

Mr. Clements: The one under discussion was not a private siding agreement.

Mr. Jepson: It was not a private siding agreement, but it was an arrangement made with another company which was competing with the siding-owning company, who agreed to make certain allowances which had been made by the siding-owning company.

Mr. Clements: Of course, that is not quite on the same lines as a siding agreement.

Sir John Simon: For the moment my friend will agree with me that there are probably cases where it will turn out that the trader will demand the revision of the agreement?

Chairman: The traders will, of course, between now and Tuesday consider all that is being proposed, and say which they desire it to be.

Mr. Jepson: What I have in my mind is this: Up and down the country by all companies there have been arrangements to allow certain amounts to siding owners, because the railway companies have been relieved of the service of loading and unloading. These have been fixed sums in operation for years and may be said to be agreements. One cannot imagine with increased rates that those people will sit still and be content with those small allowances. On the other hand, it may be when the thing comes to be reconsidered the railway companies will say: "Owing to the altered conditions we cannot allow so much," but I think they have all got to come into the melting pot again.

Sir John Simon: That is our own impression.

Chairman: It is a serious matter. The Act will have to be very precise if it is to say: "Notwithstanding any subsisting agreement."

Sir John Simon: Quite so.

Chairman: It may be that existing agreements not capable of determination on very short notice are very few.

Sir John Simon: I believe there are not many.

Examined by Sir JOHN SIMON.

6922. Might I, with your help, Mr. Wedgwood, get one or two matters of fact for the Committee, and then the Chairman will tell us what the Committee wishes done. I have referred already to the statement on the eighth day, the 23rd July, when we were asking you, Sir, what you wanted us to do—whether it was to be eight classes or a larger number. Just tell the tribunal now exactly what it is the railway companies are not only prepared to do if that is the wish of the Committee, but are pretty confident they could do as regards time in this matter?—First of all, as regards what I may call the readjustment of the eight classes; since that date we have been going into that, and we have been pre-

Chairman: But it is a very important matter in general legislation as to how private contracts are to be dealt with.

Sir John Simon: Yes. May I further say I quite appreciate that our phrase: "Unless otherwise agreed" is not addressed primarily to the point you are now putting.

Chairman: No, I understand that. I wanted to know whether it included that.

Sir John Simon: I quite see the importance of what you put.

Chairman: Then you go on to say that it shall be open to consideration by the tribunal to fix the amount.

Mr. Jepson: Have you not modified that so that it shall not be made applicable to coal and the heavy mineral class traffics?

Sir John Simon: Yes; that was mentioned by my learned friend Mr. Abady.

Mr. Jepson: So it wants modifying to that extent.

Chairman: Then under No. 10 you repeat what you have said before, that you are determined not to have disintegration, if you can help it.

Sir John Simon: I would rather say, anticipate disintegration by having it all down in our Rates and Charges Orders.

Chairman: But in the one where it is material, that is to say, the rate lower than the scale rate, you are determined to abolish it, if you can. You will, no doubt, give evidence as to what objection there is to it. At present the traders have expressed a very strong view indeed that they want disintegration, and we have had no evidence at present that the railway companies would suffer anything by having disintegration.

Sir John Simon: Will you make a note of that, Mr. Wedgwood. Whether there have been arrangements about it at the moment I am not quite sure; at any rate, we will deal with it.

Chairman: It has been mentioned many times by the railway companies. We have been told what a shocking thing it was to have to disintegrate, and the ill-results that would follow from disintegrating have not yet been brought to our notice.

Sir John Simon: Very well, I am obliged to you.

Chairman: Then as regards No. 11, does that mean anything more than in the previous ten heads?

Sir John Simon: Yes, it does a little. I have been looking through them. We would sooner not do it actually at this moment, but I have got them all separately down. We want to make a suggestion about the Carriers Act of 1830.

Chairman: Yes.

Sir John Simon: We want to make a suggestion about Section 31 of the Railway Clauses Act, 1863; we want to make four or five suggestions which are definitely in the direction of statutory amendments.

Chairman: When will those be ready?

Sir John Simon: They are practically ready. I do not want to promise vaguely. I think I can say on Tuesday we shall have them in print.

Chairman: This conversation is very much more satisfactory than this document.

Sir John Simon: I am very glad to hear it.

Chairman: I think I may take it that this Committee does desire to go on with the classification.

paring a list of the readjustments which we should propose. We could supply that list if it is desired to deal with the matter in that way by the 31st of this month.

6923. *Mr. Jepson:* This is the railway companies' suggested amendments to the existing working classification?—Yes, they are points which would have arisen quite independently of any adoption of tariffs or sub-classes, some of them due to the fact that the rates would be quoted on a station to station basis instead of on a C and D basis, and other points of that sort. We are quite prepared to submit those. I must except the dangerous goods. We have had to leave those out. We have not been

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able to deal with them, but as regards all the other goods we are prepared to submit our other proposals by the 31st of this month.

6924. *Sir John Simon:* May I turn to the more complete reclassification?—Before passing to that, the reason that did not form part of our proposals is that we submit it would be rather an unnecessary labour to go through the classification from that point of view with the prospect before us of having to go through it once more at some date in the future on the basis of a larger number of classes, say 20 or 25.

6925. *Chairman:* When you speak of a larger number of classes, have you in your mind to have, say, 20 different classes of the ordinary sort or would those 20 be a sub-division of the existing 32?—It would be, in effect, a sub-division of the existing 32, but we should propose a new nomenclature for them.

6926. *Sir John Simon:* I rather fancy the proposal was that they should simply numerically be numbered one, two, and so on right up to 20?—We the propose to number them from 1 to 21.

6927. *Chairman:* Then it will be 21 classes, not 32?—Yes.

6928. *Mr. Jepson:* The intermediate classes, or classes other than the existing A, B and C, and I to 5 would consist of articles in respect of which it has hitherto been the practice to give exceptional rates below the class rates?—Yes, that is so. We have gone on the principle of splitting the classes, to accord with the principle where we give exceptional rates. In some cases we split the classes into four and in some cases into two.

6929. For instance, take pig-iron in class B. Pig-iron might still remain in class B, but against the class you say "see special tariff" at the present moment. Instead of doing it in that way, you are proposing a special class for pig-iron and calling it No. 3?—That was the proposal. It was considered whether we could retain the old nomenclature and refer to the classes as B1 and B2 or Class C1 or C2. Then we realised we should also have to have classes 1A and 1B, so we considered that was getting too complicated, and we had better have a continuous nomenclature right through.

6930. *Chairman:* In Mr. Acworth's absence I would like to ask you this. Do you think it would cause much confusion if the order was altered and No. 1 was the highest class and No. 21 was the lowest. It is what is done in every country, I believe, except this. If you are comparing it with any other country, you will find class 1 in England is the lowest class and class 5 the highest, leaving out the letter classes. In every other country, class 1 would be equivalent to our class 5 and class 2 to our class 4, and so on. Do you think it would make much confusion and difficulty if we adopted the practice of our neighbours?—It is rather a matter on which one would like to know what the opinion of the trading public is. I do not think, so far as the railway companies are concerned, it would very materially matter which way you take your numbers. I confess my sympathy is in favour of the more important classes coming first on the list.

6931. *Mr. Jepson:* It would not matter very much if you are going to increase the number of classes from 8 to 21, but if you were trying to aim at keeping the existing nomenclature of the classes and simply providing rates for certain articles within those classes, then it would be an objection perhaps?

—Yes, then it would mean a waste of space which would otherwise not occur, but we propose ourselves a considerable alteration of the nomenclature, and to invert the order would not, I think, very materially increase the confusion. In both cases, the public and the railway companies would have to get accustomed to it. I confess I think the English practice is the right one. I think it is more simple that the articles of big volume, such as limestone and ironstone, should be No. 2 rather than No. 21, but I confess there is not much in it.

6932. *Sir John Simon:* When you come to passengers' tariffs the third class is not the highest class?—No.

Chairman: It is the biggest.

Sir John Simon: I should like you, and on other grounds I think it is very well worth a few moments' consumption of time, just to tell the Committee, not what the railway companies are promising to do, or hoping to do, but what it is they have done as regards the more complete reclassification up to now. I think it would be a satisfaction to the Committee, and it is only right it should be known.

Chairman: Before we come to that, Mr. Wedgwood has not told us within what period he could do the 21 classes.

6933. *Sir John Simon:* It comes in connection with what I was coming to?—I could give that point first.

6934. Just mention it at once?—We have in hand a division on the basis of 21 classes. It was carefully gone into yesterday, and the railway companies considered they could let the Committee have that proposed classification by the 31st December. It would not include dangerous goods.

6935. Before we discuss that, perhaps you would just tell us what it is you have done. I am not concerned with the future so much as with the past at the moment?—The railway companies realised at a very early date that classification must be got on with at once, because it was a very intricate matter. In March last a Special Committee was appointed consisting of four experts and a secretary. I need not explain that classification is an extremely intricate matter, and they are very few railwaymen who are masters of the subject. We thought it desirable to get a small Committee and have them continuously sitting. They have sat from the beginning of April continuously. When I say continuously, I mean, at any rate, as regards the last four or five months, five days a week.

6936. As a matter of fact, did they suspend their sittings over the holidays or not?—No, the sittings were not suspended for the holidays, because we realised it must be got on with, not, I would say, only because the Committee might require it, but because until we get our classification ourselves we cannot estimate what our scales and tariffs should be. We wish to carry on for our own purposes the revised classification contemporaneously with the information we are getting out as regards the revenue received from all the different classes of traffic. We wished the two to be ready together, so that we could promptly proceed to work out our tariffs and scales on the new classification.

6937. It is useful to all of us, and especially to the Committee, to know what is the kind of method by which you proceed. Do you get out a sort of sketch of a classification first and then fill it in, or what is the method which is followed?—We have had to follow two methods. We have had, as you suggest, to sketch out our general proposals. We have then had to take it at the other end and go in detail through the classification, and see under those general proposals how we suggest classifying certain articles. There is a third process which we have carried out at the same time. Certain groups of articles, owing to certain constant accretions of little conditions and additions, from time to time have got now classified in an unnecessary intricate manner. Textiles is a case in point. The Committee there have taken the whole classification of textiles, and have revised the whole thing with the intention of putting it on much simpler lines. Those three processes have involved an immense amount of detailed work. I may mention, when the work was first carried on, we had to carry it on on a certain assumption. We assumed the proposals that the railway companies put forward must be taken as the basis. Up to, I think, one day in June of this year we carried out the proposed classification on that basis. In deference to the objections of this Committee, the proposals made by the railway companies were withdrawn on June 22nd.

6938. You will find the reference on the 16th day, June 22nd, page 17?—We had a proposal of a unit of charge, so many tons per truck.

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6939. There was a good deal of objection taken to that, and that, as I follow it, involved your expert Sub-Committee altering the basis?—Yes, they had to start again to a large extent. They have carried it on since then, and realising the urgency of the matter they have been working continuously through the holidays to get it done. It is now, I think, in almost complete draft shape, as far as they are concerned, but it still needs the careful consideration of the companies' good managers and of the general managers, and their approval before it is finally ready for decision.

6940. It has not yet in fact been passed by the goods managers?—No, it is still in the hands of the Sub-Committee. There are some finishing points they are dealing with.

6941. But you are speaking with knowledge of the lengths to which the Sub-Committee has gone?—Yes, I have seen the document they have prepared. It amounts practically to a re-edition of the Yellow Book which is the present railway classification with the exception of dangerous goods. The document gives on one side the present classification, and on the other side the future description and classification, and it goes through the whole of the 300 or 400 pages of classification.

6942. Is 21 the number which will be regarded in future by this expert Sub-Committee as the proper number?—That is the number they have proposed. That is general merchandise only. It does not include coal.

6943. That would in itself include a good many trials and preliminary sketches?—A good many.

6944. They have come down to 21?—They have come down to 21. They have endeavoured to group the exceptional rates which are put into tariffs into a limited number of about 13 extra classes.

6945. *Mr. Jepson*: Do you say that applies only to general merchandise? Does that leave alone the A, B and C classes?—No, it takes in the A, B and C, but it does not take in coal.

6946. And it does not take in dangerous goods?—No.

6947. Has anything been done yet about coal?—Coal is in hand. I do not know whether the question of classification arises on that. That is more a question of scales.

Mr. Jepson: I should think so.

Sir John Simon: That, at any rate, tells the Committee how far we have got on about that.

6948. *Chairman*: You have told us that you might have the eight classes ready by the 31st October, and the more detailed ones by the 31st December. The traders would, of course, have to consider your proposals, and make any counter-proposals they have got to make. Would it be inconvenient, or would it be undesirable, in your opinion, that you should let the eight classes appear first, with the notification that they were going to be further sub-divided, so that the traders might have something to work upon. I will tell you at once what my object is. It is to shorten the time that is given to the traders before they make any counter-proposals. What you have said is very satisfactory as to the amount of work which has been done. If we could tell the traders that they would get general details of the eight classes early in November and could be considering them, they would not be asked to make any counter-proposal until they had the 21 classes well in hand. Would that be a possible or desirable method?—I do not think it would be desirable. I think it would lead to confusion.

6949. I thought that 'might be so.'—The items would need to be given over again in our ultimate classification, and it might then appear in a different class perhaps.

6950. I thought there might be difficulties about it. Ultimately we shall have this printed in an available form for any trader who wishes to get the information?—That is the intention—to have it printed in a form in which it could be bought at a bookstall.

6951. One Little detail. Could you, in doing it, publish with it a notification as to which of the classes coincide with the old classes?—Yes, we could do that.

6952. One little detail. Could you, in doing it, about one of the middle numbers, shall we say, 9 or 10, to know that it still remains part of the old class?—Yes we will publish a little guide with it showing that class 10 corresponds, say, with the old class C.

6953. It would be rather that Classes 8, 9 and 10 correspond with C?—Yes, 10 being the old general Class C, and 8 and 9 as well, if the nomenclature runs that way.

6954. *Sir Walter Berry*: It is proposed, then, to indicate that Class 1, for instance, has been subdivided into five other classes?—Yes.

6955. And so on throughout?—Yes, we shall give a little guide showing what the new classes were intended to correspond to in the old.

Sir Walter Berry: That would be very helpful.

6956. *Sir John Simon*: The 1 to 21 in conjunction would not be necessarily grouped under the old larger classes?—No.

6957. But you say there would be a kind of indication where the boundary would naturally be?—We could easily publish a little slip with the classification saying that Classes 1 and 2 correspond with the old A; 3, 4 and 5 to the old B, and so on. That is what the Chairman had in mind. We could readily do that.

6958. *Chairman*: I think that would be a great help to the trader?—Yes.

6959. *Mr. Jepson*: Generally speaking, these additional classes would consist of articles in respect of which it has been generally in the past the practice to make exceptional rates for?—That is so.

6960. So that the main Class 5 would still be Class 21, if you like?—Yes.

6961. Class 4 might be Class 16. There might be two or three intermediate classes where articles in Class 5 or Class 4 have been a subject for exceptional rates?—Yes.

6962. Now they are turned into a new class in the new tariff?—That is so.

6963. Take Class 1. There have been certain exceptional rates given for particular articles in Class 1. We may take it that the railway companies have accepted the suggestion that has been made to exceptional rates, subject to what is said here, are to be done away with, and the greater bulk of them dealt with by means of these exceptional scales of tariffs—I mean such things as pig iron, timber, grain, iron and steel would form the subject of a separate class?—I think it has always been part of our suggestion that that should be done.

6964. There was a difficulty in doing it before. Now you have swallowed that, subject to what is said in this memorandum as regards the maintenance of exceptional rates when proved necessary?—Yes.

Sir John Simon: That is the reason why we proposed, as regards exceptional rates, that at the same time that these new strata are all settled and the charges all known, that exceptional rates in principle shall go. That is the reason for it. The thing does fit in as a scheme. Our proposition is—I realise it is a disappointing one—that to get rid of exceptional rates until you have done that is a thing which, when we come down actually to business, will be found rather an alarming thing to do.

Mr. Jepson: It seemed to me that the basis of all this, developed as a general principle, is that exceptional rates, subject to certain of them being preserved under certain circumstances, are to go, and they are going to be transplanted by these exceptional tariffs.

Sir John Simon: I think so.

Mr. Jepson: That is a general principle which, subject to anything that the railway companies and traders may say, we might advise.

6965. *Sir John Simon*: Yes, as long as it is indicated that this is the way in which it should be

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done, we should entirely agree. You will consider whether it ought to be modified. One of our cardinal points in our own mind is that. We are very sorry it should be so, but you realise the railway companies are quite satisfied among themselves that any attempt to get rid of exceptional rates while they are in this higgledy-piggledy condition, until you have put something in their place, is an extremely dangerous proceeding. Having said that, and the Chairman having indicated what the wish of the Committee would be, we will not delay on discussing whether this is the ideal course, assuming that we were not faced with certain practical difficulties?—No.

6966. Mr. Gore-Browne will take note that while we are most willing to do this, and we gather the Committee wish it to be done, and we perfectly appreciate why, if we were living in an ideal world, is it your opinion that scales and tariffs will be most satisfactorily settled from the revenue point of view if you fix the classification in this way now and discuss pricing subsequently?—I think, taking your phrase, if we lived in an ideal world, it would be better to settle tariffs and scales along with or immediately in conjunction with classification.

Chairman: Will you also add, if you had a man of infinite intellect?

6967. Sir John Simon: It needs somebody who can keep two balls up in the air at the same time?—There were two reasons we had; one was what Sir John has already indicated, that we shall have to adjust the tariff and scales so as to produce, as soon as we can, both the aggregate revenue that is regarded as desirable and the individual revenue for the different companies or different groups. It is obviously easier to do that in the other way. You find some particular tariff does not give you quite the revenue you ought to get in connection with some group of traffic. If you can adjust that, either by lifting or lowering your tariff, or by extending or reducing the number of articles, you would bring into that class a tariff so much the better. That was the first reason for our doing this. We felt that a great many complaints we might have to deal with on classification would possibly be not persisted in if the figures of the charges to be made were available at the same time. On the other side, there is the opposite point that a good many complaints that would not arise, but would come up later on, might be disposed of *en bloc* where the trader finds that rates are higher than he expected.

Examination continued by Mr. BRUCE THOMAS.

6975. The various matters that are detailed in the documents that have been put in have been allocated to different witnesses. The matters that Mr. Wedgwood will deal with are paragraphs 5 and 6, 5 being the scales and tariffs and 6 the exceptional rate. In dealing with the scales and tariffs, he will deal with the question of the graduation of scales and the fan which has been referred to, and on exceptional rates the question of group rates. First, upon scales and tariffs, would you tell the Committee what the companies are doing and how they are attacking the problem and putting themselves in a position to be able to produce the scales and tariffs?—I think that I have explained what we are doing at the moment. Perhaps, to make it clearer, I ought to say we have taken a week's traffic in March of this year, and we are occupied in working that out, summarising the results in as great detail as possible on the basis of showing each traffic separately, and then showing, roughly speaking, each of the conditions under which the traffic is carried separately, and grouping the results to the distances for which the traffic is carried. The intention of that is that we shall compare with those results set out in the form of a mileage table draft scales which are at the present time in process of being circulated from the Railway Clearing House. Each company will see how such scales would affect the revenue received at the stations on their line.

6968. Those are the considerations of the ideal world?—Yes.

6969. The Chairman has given us a perfectly clear statement of what he thinks ought to be done, and we will set to work to do it.—Yes.

6970. Chairman: Will you be able to indicate even roughly what percentage the various classes are to bear as against each other?—No.

6971. It goes back to that original fan or diagram we dealt with?—Yes.

6972. If a trader has to come forward with his counter-proposal, or if he is to make objection to your proposal, he would want to know how he is being dealt with. No doubt he can say to himself: "Well, I see I am left in what is old Class 1, and I can see that I am in the higher or the lower part of it, as the case may be, and he may come forward with his argument: I ought to be taken out of Class 1 altogether, and instead of being put in the upper part of Class 1 I ought to be in the equivalent of Class C—so it would help a great deal more if we could have any idea of the fan?—I am afraid to give any indication of the percentage basis in a way which would meet your point as it would commit our hands too much in adjusting tariffs to revenue.

6973. I was afraid you would have to say that. Could you by means of a preface indicate the sort of proportions?—I was proposing to deal with the suggestions that you, I think, put forward for the fan at another point in my evidence. Perhaps the general reference I make to that would meet the point.

6974. Mr. Jepson: That contention was based on the existing maxima so far as class traffic was concerned?—I do not know. It comes out very near.

Sir John Simon: Mr. Wedgwood has given us a careful proof on that point. If you will allow me, as I am in some difficulty at the moment, I will get Mr. Thomas to deal with it. I think we have more or less covered the ground as to what we have done about classification and what we can do. I understand from you that in the circumstances in which the Committee is working you desire us to do it?

Chairman: Yes.

Sir John Simon: You take note of the fact that while we will do our best, though we do not think it necessarily ideal, we perfectly understand and wish to co-operate in supplying that as soon as possible.

Chairman: The Committee had some conversation last night about it, and I am not only speaking of my own views.

Sir John Simon: Perhaps I could show you a message from Scotland, which shows that the thing you asked about is in the course of being done.

When that is done the results will be advised to the Clearing House. There will be a meeting held to consider how far the scales need modification; that is to say, if they can be adopted uniformly for all companies, or if they can only be adopted for a certain number of companies, or if it will be necessary to adopt individual scales for individual companies.

6976. Chairman: You speak of a draft scale. That means what one might call a trial scale?—Yes.

6977. Is it one scale or more?—We have sent out a number of scales, one for each of the proposed new classes.

6978. I follow, but not alternative scales?—No, not alternative scales. That is one of the reasons we have been hurrying on with the classification. When you send out a draft scale, it is some indication to each company of the traffics they are to try and bring under that scale.

6979. Mr. Bruce Thomas: Those proposals, it is hardly necessary to state to the Committee, involve prolonged and detailed inquiries?—Yes, it will be a very long matter indeed, particularly if one is to get at the true results, remembering that the railway companies, and I think the Committee also, desire to attain one particular result, and that is the maximum equilibrium of revenue at the end. We do not want the scales to upset the revenue of the companies, or at least not more than can be avoided.

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6980. In the preparation of those scales an attempt will be made to obtain such simplification and uniformity as will be possible?—Yes.

6981. What is your view as to the possibility of obtaining uniformity?—As to a general uniformity, I do not think it is possible—I mean a uniformity which will apply right through, so that one can say, "Those are the classes, and those are the rates applying right through the country." It may be possible for particular commodities. It is extremely difficult at the present time to say anything more than that. We are not yet in the position of even having compared our own individual results with the scales which have been sent out.

6982. We know that the individual railway companies at present have their own special scales and districts.—Yes, the companies have frequently applied special scales for their particular districts.

6983. In preparing these new schedules, have you had regard to those matters to some extent in order to avoid any unnecessary upsetting of trade?—Yes, we feel when we come to a class of traders that, at least, we shall have to consider whether those scales quoted by particular companies were quoted and still remained valid for good commercial reasons, that is to say, there is an industry which happens to be particularly struggling in that area and has had to be helped, and consequently even where the original justification may have ceased or have become less marked, we must consider whether it has become good business to put the rate up when the industry has been built up on it. Those are the points which we shall have to consider, and which make it, I think one may say, impossible to secure uniformity, and possibly undesirable.

6984. It would also probably lead to the necessity of having a good many exceptions, even from the large number of classes which you propose to suggest?—Yes, I think one must say that the number of exceptions—I am speaking now not of exceptional rates but of exceptional scales, or individual scales—for different companies must be there. You do not

6985. *Chairman:* You say the number of scales for different companies must be there. You do not mean that there shall be more than 21 classes for a particular company, but that the figure attached to a particular class should differ. Is that what you mean?—I think there might be scales for different companies in addition to the 21. That is the way it would shape itself, in our minds, at the present time.

6986. Will they be numerous? Perhaps you might give us an instance to bring it clearly to our minds?—You might find that some particular area had exceptional rates for pig iron, we will say. Those rates do not necessarily apply at the present time, to other works which we shall propose to group with pig iron in the new sub-class. In that case we should probably want to retain a specially reduced scale for pig iron in that area, while at the same time putting in a class scale, which might be a uniform class scale, or might be uniform with other companies for the rest of that particular group.

6987. *Mr. Jepson:* It would be a local arrangement with a particular company?—Yes.

6988. Hitherto, if I understand the matter rightly, all companies have agreed on a standard classification; there has been no exception?—No, the standard classification will be absolutely uniform.

6989. That is to govern every company in the country?—Yes.

6990. If there has been any alteration to be made, it has been done in the past by exceptional rates, or something of that sort?—Yes.

6991. In future, it would be a pity to get away from a standard classification being adopted?—There is no intention of doing that. I can put it best in this way. There may be exceptional rates below a scale, or there may be exceptional scales for individual articles in a classification, or for an individual area, perhaps, on a particular company.

6992. *Chairman:* It really is in the nature of

what we might call a special rate instead of an exceptional rate, applicable to a locality?—Yes.

6993. The locality being either the whole of the company's area or a portion of it?—Yes, I think it is better put that way; it is in the nature of an exceptional rate applicable on a mileage basis; instead of being an exceptional rate from A to B for pig iron, it is an exceptional rate applying to an area including a certain part of a line or the whole part of a line.

6994. That continues the nomenclature—an exceptional scale within the general one?—Yes, I think we should wish to preserve the liberty to have such scales, subject to whatever restrictions there may be with reference to exceptional rates.

6995. *Mr. Bruce Thomas:* You were pointing out that the special conditions which obtained on different railways would militate against uniformity. Then, would varying the statutory maxima which at present exist have any effect upon it as well? Are the existing statutory maxima affected in any way in the existing class rates?—Yes, a very large number of the class rates are practically all maxima, and I think, as is well known, the maxima of the different companies are not uniform. There are quite a number of different patterns, one may call them, some of which apply to individual companies, some to half a dozen. I do not know that any of them can be regarded as conceived so as to be a standard. These differences of maximum powers have led to differences in class rates. The railway companies take the view that unless there is something substantial to be obtained from a wholesale alteration of class rates to bring them into uniformity, it is not desirable to cause the disturbance that would arise.

6996. In spite of the difficulties that you see in even getting perhaps a substantial measure of uniformity, you are attempting, and will attempt, to get out the different rates as uniformly as may be practicable?—Yes. I merely want to point out the sort of considerations which we shall have to take into account.

6997. The Committee will remember that on 9th June Sir Alexander Butterworth referred to some diagrams that were produced showing the exceptional rates for pig iron from a particular station and back again, I think it was?—Yes.

6998. You wish to make some observations upon those diagrams that were put in, and to give the Committee some information which you have got out upon them?—I think it was promised at the time that we would give the Committee some information as to the extent to which the rise and fall below those two scales that were indicated were due to or could be attributed to particular conditions, such as water competition or competition with other areas, or special circumstances of one kind and another. If the matter is still of interest I could just give the results, though I do not know that it is of importance, as so much has been said about water competition since then.

6999. *Chairman:* You might tell us in general terms.—In general terms the position is this: Take the pig iron diagram. You will remember it was based on a statement of traffic passing from a limited number of iron-sending stations per week, on the North-Eastern Railway. We have had the individual rates examined to see whether they fall more than 10 per cent. below the scale, and to see what the reasons were for the low level of the rate. The examination indicates that in 50 per cent. of the cases—

7000. Is it cases or total tonnage?—I beg your pardon, I have weighted the cases with the tonnage passing. In the case of 58 per cent. of the tonnage, the low rate is due or can be attributable to—I do not know the actual circumstances—direct competition with the product of other pig iron making areas. Forty-two per cent. consists of local short-distance traffic, and the tonnage carried in competition with other producing areas, approximately 46 per cent.—that is 46 out of 58 per cent.—is also carried in competition with water. So that you have the two reasons. It is difficult to assign the actual level of

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rate to either, but they have both operated in 46 per cent. of the tonnage.

7001. *Mr. Jepson*: Would that 58 per cent. be generally long-distance traffic?—Yes.

7002. Where the pig iron has been carried on the North Eastern to compete with some other pig iron centre?—Yes, among the 46 per cent., where there is competition with water as well as other producing areas, Middlesbrough and Scotland would be one. In the portion where there is competition with other areas, where we have not regarded water competition as existing, there would be Middlesbrough and Leeds.

7003. That element you have just illustrated now does to a large extent interfere with what you might call equal mileage rates for a particular commodity throughout the country?—Yes; cases of that kind would presumably be met by exceptional rates. They would have to be carefully considered, but that is, I gather, the view taken about it.

7004. Suppose you have a very low rate from your North Eastern pig iron sending station to Leeds, because of some other pig-iron competition at Leeds, you would not be willing to apply the mileage rate for a similar distance where there is no similar competition existing?—No, the scale we contemplate would be fixed on what we might call the normal, and those cases would have to be met by something below the scale.

7005. You say that is one illustration of where exceptional rates may have to be given in the future?—That is so.

7006. *Mr. Bruce Thomas*: I think you got out some similar figures or had some estimates made with regard to the cement diagram. Do you find that of the whole of the traffic passing at rates over 10 per cent. below the line, 50 per cent. passed at low rates which were due to competition with other cement-making areas?—Yes, the cement statement was based on a month's forwarding, from all North Eastern stations. It is again a purely North Eastern return. We found on examination that of 50 per cent. of individual cases, the traffic passed at low rates owing to competition with other cement-making areas; 27 per cent., mainly owing to water competition, but to some extent in competition with other cement-making areas, and 21 per cent. consisted of short haul traffic in competition with water or road carriage. There is a balance of 2 per cent. unexplained.

7007. You have given us the cases where there are more than 10 per cent. below the scale. Could you, by examining the figures, arrive at any conclusion as to whether the biggest of the reductions were due to one or other of the causes mentioned? Which of the causes produced the biggest reduction?—I mean the reductions where they amounted perhaps to 25 or 30 per cent. or even 40 per cent?—No, I do not think there would be even sufficient uniformity to form any conclusion about that.

7008. Taking those two diagrams, have you been able to ascertain with certainty what rates are low owing to water competition?—No. It is a rare case where you can say, this is due to water competition and nothing else. There is nearly always an element of trying to get into distant markets, or competition with some other area.

7009. Water competition is no doubt one of the many causes, or one of the several causes, but it is difficult to find it as the exclusive cause?—It is seldom you find a case where it is the exclusive cause.

7010. Perhaps you will tell the Committee what you have to say with regard to the fan graduation scales. You might remember the Chairmau had a table printed on the notes early in the proceedings. I think it was the second day's proceedings?—Yes. You put forward a proposal showing the ratio between the increments on each of the different eight classes at each of the mileage divisions. I can submit diagrams showing the North Western maximum powers, which I have taken as being typical, and your proposal in the form of a diagram, and also an

elaborate statement comparing the increment in each case, taking coal as the standard at 100. I think perhaps the last diagram is really the one which gives the most information. You will see it takes the increment on coal for the first 20 millions as the standard at 100. It then compares that with the increment, if you read the column downwards, on other classes at the same distance. Then, in parallel columns, it compares that with the increment on coal and other classes at each of the other standard distances, the next 30 miles, the next 50 miles, and then for the remainder of the distance. In the parallel column are given the actual maximum powers of the North-Western. It will be noticed that, in the case of the maximum powers, one is given. That is a misnomer; it should not be the maximum powers of the North Western. It will be noticed that coal was the zero from which the railways charge, but there is a lower zero. The maximum powers should not apply to ore; that is the actual scale.

7011. *Chairman*: That is all the way through?—Yes, so far as it relates to ore.

7012. *Mr. Jepson*: There is nothing lower, so far as the maximum powers go, than the coal class?—That is so.

7013. When you speak about the North-Western coal class, you are speaking about their normal coal class?—Yes.

7014. And not dealing with the large list of lines in respect of which, so far as coal is concerned, they are authorised to charge a good deal more than their normal scale?—No, it is the normal maximum powers list.

7015. There do not appear to be any differences in principle between these two diagrams?—No, I think they work out very much alike when you allow for the fact that the gain in the case of Mr. Gore Browne's proposals is between 100 and 500, and in the case of the railway companies' figures, given in the next column, it is between 84 and 435. The span, so to speak, is much the same in both cases.

7016. You spoke of what you were doing in finding out what would be the necessary quantum in each class to provide, roughly, the same amount of revenue you are getting to-day?—Yes.

7017. You must have regard to some almost standardised difference between the classes?—Yes.

7018. You cannot start on coal and say we will get 25 per cent. of our revenue on coal and so much revenue on classes 1, 2, 3, 4 and 5 in the 21 classes. You must have regard to some standard, and the only standard that one knows is the standard fixed under the Rates and Charges Order?—Yes.

7019. That is if you want to get anything like a standardised difference between the classes?—Yes.

7020. Is your Committee, as a Committee, proposing generally to adhere to something like that standard?—We shall try so far as we can to adhere to the existing rates. That is to say, we are making it one of the main points of our policy to disturb rates as little as possible. In the case of classes, we shall endeavour, as far as we can, to keep close to the existing figures.

7021. *Chairman*: That is to say, the existing proportions one to the other?—Yes, these proportions seem to correspond with the proportions which you had in mind, and we suggest that where there are some slight discrepancies it is hardly necessary to disturb rates that could be maintained for that reason.

7022. The point was raised on the occasion of the interim revision of rates whether the more valuable goods ought not to stand a bigger proportion than they had stood in the past. I understand your general answer is that the railway companies think it better not to make disturbances in the existing practice?—Yes, and on that particular point, as regards higher classes, although in theory it might be advisable to put the rate up, we should not carry the traffic if we did. It is very vulnerable traffic already.

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[Continued.]

7023. *Mr. Bruce Thomas:* Those ratios have, of course, been disturbed by the flat rates which have been put on in the interim revision?—Yes, the flat rates have had the effect of rather drawing together the flat more than is shown here.

7024. Is it your proposal that that position should be maintained? They are now drawn together. Do you intend to propose that the present relationship, as brought about by the flat rate addition, should be retained?—Yes, we shall endeavour to adhere to that as a general guide as far as we can.

7025. Apart from that, will the companies recommend any other alteration in the ratios that are at present laid down?—No, we should not recommend any alteration in the present ratios except such as is, so to speak, forced upon us by the necessity of putting forward tariffs that will give the necessary revenue both in the aggregate and individually.

7026. *Chairman:* You speak of retaining the effect of the flat rate addition?—Yes.

(Adjourned for a short time.)

7030. *Mr. Bruce Thomas:* I now want you to deal with the question of exceptional rates. I think on the second day of the general revision a suggestion was made by the Chairman as to the lines upon which exceptional rates might be dealt with. That was on the 12th May at page 15, Questions 214 to 216. The suggestion was that: "*Chairman:* Would it be a workable scheme to put in operation first our scales and then our tariff, and then give, say, six months of time, and say at the end of the six months, all exceptional rates should be swept away that had not been agreed between the traders and the railway companies, subject to a right to anybody to appeal to tribunal?" You will remember, Sir, that suggestion which you threw out. Then, again, on the 23rd July at the interim revision, the 8th day, the Chairman made the alternative suggestion dealing with exceptional rates, that as part of the final revision standard percentages might be allowed for the special conditions attaching to exceptional rates?—Yes.

7031. Then, I think, that was dealt with in a good deal more detail in the Committee's interim report on the 30th July?—Yes.

7032. May we call the first proposal the general proposal and the second one the interim proposal?—Yes, to distinguish between the two.

7033. Have the railway companies given very careful consideration to those two proposals?—Yes. We have gone into the merits of the two proposals very carefully.

7034. And have they come to a conclusion as to which of the two offers the best solution of the problem, or if there is any other method that offers a better solution?—We have come to the conclusion that the general proposal, that which was made first, is very much more satisfactory of the two. We think a revision of exceptional rates carried out on those lines would be more scientific in its operation, and would give earlier results than the other. It would also involve very much less labour on the part of the companies, and we think less possibility of friction with the trading public.

7035. I want you, if you will, to give the Committee your reasons for those conclusions; perhaps you will deal first with the interim proposal?—Taking the interim proposal first, we have considered in a good deal of detail what it would mean. It would mean, it appears to us, three main stages. The first stage would be the preparation of the railway companies' proposals with regard to standard deductions or allowances to be made in respect of the particular conditions attaching to the exceptional rates. The railway companies' proposals, when agreed among themselves, would then be submitted to the Committee and would be for them to examine. Then the original proposals, or the amended proposals, as the case might be, would be passed for application. Obviously a good deal of consideration

7027. Would that be done by increasing the terminals or by having a specific flat addition to the mileage rate?—I think the latter, as far as we can see at present; but on that we are still so much in the stage of experiment that we would not like to say definitely.

7028. The trader with a private siding would much prefer it was on the terminal?—Yes; but if I might refer to the evidence which I gave at an earlier date, I endeavoured to argue then that the exceptional cost of short distance traffic did not arise from terminals, or rather it affected conveyance as much as terminals, because of the very poor user you got of wagon stock and locomotives.

7029. I very well remember that evidence. On the other hand, there is the danger of road competition by motor lorries?—Yes, that is the point which we shall have to consider very carefully in framing any scales we put forward.

must be given by the railway companies to the need of the proposals they put up under that head—the percentages they would recommend with regard to owner's risk allowance, the allowance for quantity, and the allowance which is made simply for the character of the commodity itself, irrespective of other conditions. It would be desirable that any proposals we put forward should accord, as far as it is possible, with existing practice.

7036. Would it be necessary, in your view, to consider with reference to our commodity what the deduction ought to be?—I think so. It is evident that in the case of owner's risk and company's risk you must do that. It would also apply in the case of quantities, because you would there have to take into account the loading capacity of the article, and, of course, there is a very great variety in the conditions actually attached to the scales. I may mention there that in the course of the interim inquiry I submitted that the Committee particulars of 170 exceptional rates then in force. I have looked through those rates and I find there are no less than 50 different variants of the conditions applicable to those rates, that is to say, the different conditions are combined in what makes 50 different totals, so to speak.

7037. *Mr. Davis:* If the sender does not state to you that you must carry at district rate or passenger rate the company is then liable, because he pays the full rate?—If he asks us to carry at owner's risk, yes.

7038. But do you stipulate that if you want to carry at his risk?—Yes. I did not quite catch your point.

7039. He must do so?—Yes. We quote him the low rate and say it is subject to those conditions, and the conditions we propose in that way are very varied to meet the different circumstances of the case.

7040. *Mr. Bruce Thomas:* Would it be correct to say that if you took, say, 100 exceptional rates, you would find that the common factor which gives rise to the exceptional rate was comparatively small?—Yes. It would be a complicated calculation in each case, allowing so much for each of the various items in the conditions, and the result in each case would be unlike the results in a great number of other cases.

7041. And is it your view, and the view of those that you have consulted with, that a very considerable time would elapse before the companies could put forward proposals which should be recommended as being sufficiently in accordance with general practice to be at all satisfactory to the traders?—Yes. I am not in a position to suggest any time, but obviously it is a matter of a good deal of detail and time must elapse.

7042. That, I think, you have described as the first stage?—Yes.

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7043. Now will you tell the Committee what the second stage in your view would be?—The second stage would begin when, the standard allowances or discounts having been agreed by this Committee, the railway companies proceed to apply those individually to the different exceptional rates. The comparison would then have to be made; the discount must be made, or some figure. That might be either the maximum powers or the class rate. If the maximum powers were selected it would be necessary in the first instance to calculate the maximum powers, and that is a very intricate matter and would involve an enormous mass of calculation before you could start.

7044. *Mr. Jepson*: No suggestion has been made that maximum powers should be brought in?—I thought it best just to dispose of that: I thought it best that that should be left on one side out of the question. If you take class rates you are, of course, starting from something which is less scientific than maximum powers or the class rate. If the maximum powers are not up to maximum powers in many cases. Particularly where I think there has been some question of water competition they are very often lower than the actual maximum powers. You start by comparing with something else already varying from what you may call the true scientific standard, or the true uniform standard. I do not know whether instances of that would be required, but it is, I think, a matter of general knowledge that the class rates are not always at the maximum powers.

7045. *Mr. Bruce Thomas*: Would the comparison with the class rates give the Committee the result that was required?—No. You would not get as a result a uniform series of exceptional rates that would show the same variations that the class rates show.

7046. Would that work be light, and could it be easily done?—I am afraid it would be exceedingly laborious. It would be necessary for each company to go through its rate books, select the exceptional rates, and then compare each of those exceptional rates with the class rate. I do not know that I need give in detail the sort of stages that would be necessary. The exceptional rates at present are not given—there is no reference made to the actual class rate; therefore you must, first of all, mark off the class to which that commodity is applicable. Then you would necessarily have to extract the price from the rate books, together with the class rates that would be applicable, making the deductions from the class rate, and compare the resultant rate with the exceptional rate.

7047. You would not only have to extract the rate from the rate book, but you would have to know the particular conditions that attach to it?—Yes, you would have to know the particular conditions that attach to it also, and I ought to have added that you would then have to allow for those conditions, make the necessary series of calculations, record the resultant rate, and compare that with the actual exceptional rate.

7048. Have you had an actual experiment carried out with a view to ascertaining the time that must be taken in carrying out these operations, all of which, in your opinion, I understand, to be necessary? Yes. We have carried out on my own railway an experiment intended to test the amount of work which would be involved, and the period which would necessarily elapse in carrying through this examination of the exceptional rates. We had for a period of one-and-a-half weeks 12 men engaged, working together as a team, going through certain selected rate books. We found that in the time those men were able to deal with 9,887 rates, which gives approximately an average of one rate to every four minutes. That was carrying out the series of operations that I have alluded to.

7049. One rate per man?—One rate per man per four minutes; putting it in another way, it is one clerk working 36 hours—that is a normal week—would be able to examine 540 rates in a week.

7050. In giving those figures have you made any allowance for checking?—No, I have simply taken the

first calculation and not allowed for checking. I thought that was perhaps reasonable seeing that one may assume that in the course of time clerks engaged on this work would gradually improve their speed with more practice.

7051. *Mr. Jepson*: Are these rates that your people are engaged on rates local to the North Eastern, or did they consist to any large extent of through rates with other companies?—I think they were both.

7052. Were the other companies brought in to agree with you?—No, it was simply a trial run.

7053. After that, so far as the through rates are concerned, you would have to have agreement with the other companies?—Yes, that would be necessary also. Where the rate is local we can separate them out ourselves.

7054. I was rather surprised to hear that you could do it at the rate of four minutes for each rate?—You could not carry it through as regards foreign rates, because there, when you have got your comparison you must obtain the assent of the foreign company; it may be there would be two or three foreign companies involved.

7055. After all, this was with a view of seeing whether anything like a standard percentage below a class rate could be adopted as a practical thing?—No, it was rather to test the time that would be taken.

7056. To do what?—To apply certain standard percentages. We assumed certain standard percentages had been agreed, and worked out how long it would take to work out those standard percentages applied to the exceptional rates appearing on our books. If I may say so, we skipped the first stage entirely. We said: "Assume certain percentages have been agreed, how long will it take you to apply them?"

7057. *Mr. Bruce Thomas*: Just to carry this a little further, we have heard very widely differing estimates of a number of exceptional rates that appeared in the companies' rate books of this country?—Yes.

7058. Have you made any estimate of the number of exceptional rates?—On the best calculation that I have been able to make up to the present, I think it may be taken that the total number of exceptional rates on the rate books of this country would be not less than 80,000,000; it might be considerably more, but one does not know.

7059. Would that 80,000,000 be recorded twice?—Yes, they would be recorded at each end.

7060. So that the number of rates that would have to be checked would not be 80,000,000?—No, I think we should adopt some method of dispensing with the examination at both ends; therefore I think you could halve that figure of 80,000,000 and say the rates you actually had to examine were about 40,000,000.

7061. *Mr. Acworth*: May I just ask a question—I daresay you have answered it: are these 40,000,000 what we have called exceptional exceptional, or do they include scales?—They are exceptional rates, not exceptional exceptional. They are all rates that are not class rates.

7062. Can you divide the two numbers?—No. The distinction, I think, only arises when you have got a tariff. We have been talking of exceptional exceptional on the assumption that we should some day have a tariff, and there would be rates below it. At present they are all exceptional; we do not know to what extent they are in the scale.

7063. *Mr. Bruce Thomas*: Upon those figures have you made a calculation to show how long it would take to deal with those rates?—Well, working it out as a rule of three sum I calculated it would need 400 clerks for approximately four years to get through the rates.

7064. Would they have to be experienced men?—A proportion of them certainly would have to be experienced men. A certain amount of the work is local, but you must have a proportion of experienced men among them.

7065. Then there is a third stage that has to be gone through, that is, a comparison with the rate

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that you have already referred to?—Yes. Having got your result it will be necessary for each company to consider whether the exceptional rate that is being compared is to be brought up to the new figure arrived at by the discounting process. Mr. Jepson has mentioned the point that in the case of foreign rates during that stage it will be necessary to consult the other companies, and I presume it will be necessary also to consult the traders.

7066. How many of the 40,000,000 rates do you think, if this process were followed, would require consideration?—On a partial calculation from a proportion of the rates that have been dealt with in the way I have indicated I estimate that about 60 per cent. of the exceptional rates would come out more than 10 per cent. below the discounted figure. Obviously that must depend on what figures you take for discount. If they are very high figures the proportion of those that are below is limited.

7067. Would any special difficulty arise with regard to foreign rates?—Yes. In those cases it would be necessary to consult the foreign companies both as to the accuracy of the figure and also as to the question of whether the rates shall be put up or not.

7068. Then having made your own arrangements and consulted the other companies it would be necessary to confer with the traders, would it not?—That would be the next stage. I have put it in as part of the third stage. The next process in that stage would be to consult the traders, if possible arrive at some agreement with them as to the continuance of an exceptional rate, or possibly its raising, though not up to the full discounted rate, or we may in some cases wish to put the rate right up to the discounted figure. Failing agreement on any of those points there would presumably be recourse to this Committee.

7069. Mr. Jepson: I suppose a difficulty of this kind would arise constantly that after having found what you thought might be a reasonable figure you fix the discount at below the class rate that is proposed; suppose it was 20 per cent. to come off the class rate, say, between Liverpool and Glasgow, the companies carrying between Liverpool and Glasgow might say: "Our class rates are already made very low to meet sea competition and we cannot allow 20 per cent. off these. It might be all right as between Birmingham and Sheffield to take 20 per cent. off the class rates but we cannot adopt that principle between Liverpool and Glasgow."—We have regarded it at present solely as a question of raising rates that are too low, not all bringing down rates that may be above but obviously the two questions are, to some extent, interlocked.

7070. Mr. Bruce Thomas: All that work is of a highly technical character, is it not?—The work I am speaking of is work that could only be done by real rates experts whose knowledge of the history of rates enables them to say in many cases for what reason the rate was put down, possibly also the volume of the traffic passing, and a number of other facts about the rates that would be necessary to be known when you are considering whether the rates should be discontinued or not.

7071. Are you satisfied that the railway companies have available a sufficient number of experts to get the work done even in the time that you have outlined?—I doubt it. I calculate that if the railways could put up 100 rates' experts, and that is a large number to spare for this work exclusively, it would be necessary for those rates' experts to do the work at the rate of 200 rates per day to get through in the four years that I have contemplated in the previous stage. I think that is an excessive amount per man, and I doubt the possibility of finding the 100 experts available.

7072. Mr. Davis: That is in consequence of the enormous number?—Yes.

7073. Mr. Bruce Thomas: Is it your opinion, and the opinion of the other goods managers, that it would take a very much longer time to carry out the proposals that were mentioned at the Interim In-

quiry than to give effect to those that were suggested by the Chairman at the general revision on the second day?—Yes, I think it would take very much longer.

7074. Do you think that what we have called the interim proposal could be carried out with any less or more friction than the general proposal?—I think it would involve more friction for the reason that it is, if I may use the word, less scientific than the other arrangement.

7075. By "friction" I meant friction with the trader?—Yes, with the trader.

7076. Mr. Acworth: Would you mind letting us get on the notes at this stage what are the two contrasting proposals?—The two proposals were those which have been discussed before this Committee. The first that I call the general proposal was to the effect that scales and tariffs should be provisionally fixed. There could then be a period before those scales and tariffs came into force during which any exceptional rates, that is to rates below the scales and tariffs if they were to be adopted should be justified, or should be specifically continued. At the lapse of that period any rates not specifically continued would cease.

7077. That you call the general proposal?—Yes. Then there is what I call the interim proposal to this effect, that certain standard discounts, or reductions, should be agreed for each of the conditions which are attached to exceptional rates; that those discounts should be deducted from the class rates, and if it were then found that the exceptional rate was below the discounted class rate it would then need to be individually justified and continued, or would otherwise lapse presumably after a certain date. Those are the two proposals that have been under consideration. We think that the first proposal is the best, and we are unable to suggest anything better as a means of clearing up the exceptional rate position.

7078. Mr. Bruce Thomas: Just to complete your observations on the interim proposal it would be necessary, would it not, to give public notice to the traders generally of the alterations that were being proposed?—That is a difficulty in regard to the interim proposal that we do not see our way through at the moment. It appears to us that it would be necessary to give public notice to the traders that certain increases were contemplated. When you have completed the comparison of your exceptional rates with the discounted class rates you have then got to advise all whom it may concern of the increases. It is no good advising the public of what the standard deductions are, or the standard discounts from the class rate, because they would not be able to apply them. We see no alternative to advising the public of the individual rates that are to be put up, and, as already indicated, that would be on a rough estimate something like 60 per cent. of 40,000,000 or 24,000,000. Again, after the period of negotiation with the public, and a reference to this Committee, certain rates would be definitely fixed for increase; before it was only contemplated. Those again might be obviously smaller than the number before, but they might still be a number running into several millions which would have to be individually notified to the public, and the work involved in that is enormous. I do not know if I may be allowed to refer to some evidence given by a member of the Committee in a well-known case which was heard in 1914 in connection with the 4 per cent. increase on rates. It was suggested that the railway companies ought to have given individual notice of increases. In that case they were able to give the notice in the form of, so to speak, a ready reckoner showing the application of the 4 per cent. That was challenged, and it was stated that the railway companies ought to have given individual notice of the increase. One of the witnesses estimated that in the case of Birmingham alone, to give notice of the exceptional rates that were increased under that proposal would have involved a notice 1,584 yards

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long. That, I think, is a sample of the difficulty. Obviously you could not do that. Some way round must be found, but the railway companies have not yet seen any way round in the case of this particular interim proposal, because there you are dealing with interim rates on a basis which cannot be made sufficiently intelligible to the general trading public.

7079. *Mr. Jepson*: And in that particular case, of course, it was at all round standard increase of 4 per cent. on all the rates, whatever they were?—Yes, that could be made readily intelligible in the form of a general notice which was issued, but you could not put this notice about the interim proposal in any shorthand form, because every individual rate would be affected; some would be by 3d., some by 6d., some by 1s., and some by 2s.

7080. *Mr. Bruce Thomas*: I think I am correct in saying that you consider the interim proposal as a possible way of getting rid of, or dealing with, exceptional rates?—Yes, I think we have got to get round the difficulty about the notice somehow, but otherwise it is a possible way.

7081. Having carefully considered it with the other Goods Managers, what is the conclusion that you have come to upon it?—Our conclusion is that the other proposal, what I have called the general proposal, is very much more practical and would give quicker results and more satisfactory results. For that reason, with a slight modification, we have embodied that proposal in item No. 5 in the programme which we have put forward.

7082. You have given the different stages of carrying out the interim proposal. Will you now, just shortly, tell the Committee what stages would have to be gone through in order to carry out the general proposal?—There was one point I would like to allude to first, and that is the possibility of carrying the interim proposal out on a partial basis. It would be possible to take particular stations or particular traffics and apply the interim proposal to those stations or traffics. In that way you could obviously reduce the amount of labour involved and shorten the period. The railway companies do not suggest anything of the kind, because they think that such an arrangement would be unsatisfactory in result, that is to say, you would have certain rates put up and certain others, perhaps, at adjoining stations or for comparable traffics left at their old level, and they think it would cause a great deal of feeling amongst the trading public, and could hardly be defended as equitable; therefore, they have considered that, but have not thought it desirable to suggest it.

7083. Now will you tell the Committee what would have to be done if the tribunal's first thought on the subject were given effect to?—Under the general proposal there would be two main stages; the first would be to work out and submit to this Committee or a tribunal of some kind, the proposed scales and tariffs, and obtain their assent to them in a provisional shape. I think I have already given in evidence the sort of difficulties we have to face there. We have to consider revenue—not only the revenue as a whole, but the revenue of the individual companies. It is obviously a very long stage, and must take into account the proposals put forward by the Ministry as regards the grouping of railways, and would be very much affected by the grouping which is actually adopted in the end. The railway companies think that that stage should be completed 12 months after the passing of the Act.

7084. Assuming that you know from the Act what the future constitution of the railways or groups was going to be?—Yes. The difficulties would, of course, remain (I do not know how one would get round them) if the grouping remained uncertain.

7085. *Chairman*: Is it not practically necessary that something should be done in the meantime. I presume the Act will not compulsorily say: "These people shall be grouped as from the date of the passing of the Act." Comparing it with the American procedure and the sort of thing we have known before, they would probably give a limited

time within which the railways might amalgamate voluntarily, and contain provisions as to what was to happen if they did not?—Yes.

7086. But that might be expected to extend to two or three years after the passing of the Act?—Yes.

7087. You do not contemplate that nothing should be done as to fixing rates and scales until you see what eventuates?—No. In the meantime we should have to proceed on the basis of the individual companies. Obviously, if we could proceed on the basis of groups it would remove a good many obstacles that would otherwise occur on the question of uniform scales or adjustments, which had to be made to enable individual companies to preserve as far as possible their pre-war ratio to one another, but we can and are proposing to proceed on the lines of individual companies in the meantime.

7088. Then really the passing of the Act is not a necessary preliminary to your getting to work upon it?—I think it is to getting any satisfactory proposals forward.

7089. You are still going to proceed on the individual railways as they at present exist?—Yes. It would mean probably a very much greater diversity of scales; I do not know whether we should be able to secure any really satisfactory uniformity.

7090. I follow that. If you come to the conclusion that because amalgamation will not be complete for some years, you must prepare separate rates and scales for the individual companies, there is no necessity to wait to begin the work until the Act is passed, because you will be legislating for a state of things as it exists at present?—Yes. I do not know that that would enable us to get forward much faster; there is so much work to be done.

7091. Assuming we do get classifications submitted by you on the 31st December of this year, and passed by this tribunal in the next two or three months, is there any reason why you should not begin upon the rates at once?—We are already working on the subject.

7092. You told us that you are collecting materials and so on; that seems to us a very proper thing to be doing; but you should then go on with the preliminary work?—Yes, we shall be going on. We shall be going through the process of comparing ideal scales with the actual rates at which traffic is passing on individual railways; that will proceed all the time. Really we are so much in the dark as to how much will be involved in the way of adjustments and re-adjustments, and so on, to try and secure uniformity or secure any sort of satisfactory result, that it was very, very difficult to make any sort of forecast.

7093. It is merely that you would not fix the period in which this might be done by the number of months from the passing of the Act. You might say it would take you a certain number of months from the day you know the classifications; that would not be dependent on the passing of the Act?—No. I think it is a convenience to take it from the passing of the Act, because the Act will effect it in certain ways.

7094. *Mr. Jepson*: It seems to me if you have a classification which has been properly considered by the railway companies and the traders, and adopted, if you like, by the Minister of Transport, and scheduled, if you like, to the Act he is going to pass, you have a definite plan then to work to?—Yes.

7095. You know what your classification actually is?—Yes.

7096. It cannot be varied except by some special means, and you have a standard to work to?—Yes.

7097. Whereas if the classification is open as well as the quantum of the rates, the whole thing has got again to go before the traders, and one party might object to an alteration in the classification, whereas another might object to the quantum of the rates. At any rate, you save a lot of trouble if you have got your standard classification fixed beforehand, it seems to me?—I agree there is that con-

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sideration, but, on the other hand, will you not get the same questions cropping up again, as you have dealt with on classification when you put in the quantum, because after all classification and quantum are in a sense interchangeable terms. A man does not mind what his classification is as long as he gets the rate he wants. It seems to me you may raise again a lot of points that are disposed of.

7098. To this extent I would agree: 'a great many of these exceptional rates now have conditions according to the weight, 2-ton, 4-ton and 6-ton lots?—Yes.

7099. If in the classification those varying quantities are dealt with in different classes I can quite understand then it will depend to some extent on the quantum of the rate, whether the trader is satisfied with the class in which the commodity is put, having regard to the weights sent?—Yes.

7100. I can quite understand that quantum does enter into it there, and might affect classification, but only to that extent?—Yes.

7101. *Chairman:* Before you leave what you call the interim proposal, a great deal of the work you have been talking about would be abolished if the Act laid down this rule: every class rate shall be subject to certain deductions or reductions according to the conditions attached; that exceptional rates should disappear except in so far as revived. Then the railway companies would never have to work out to see whether an exceptional rate was above or below the reductions from the scale rate. They would simply quote to the trader, who came along, the scale rate less those deductions?—Yes.

7102. So that really there would be no book work done except running your pen through all the exceptional rates, save in so far as claimed and established that they ought to be continued; would you not save your four years' work that way?—You would, and, of course, that would be analogous to a total abolition of exceptional rates, but it is softened by making certain discounts.

7103. Yes?—The objection I should make to that would be, that it disregards all the various commercial reasons for low rates which are not capable of being set down as a discount.

7104. Those would come back in the claim for a new exceptional rate, which provision is practically made in the main proposal as well?—Yes. I am afraid the trading public would have a difficulty in understanding it, because it is not as though every rate was just an S. to S. rate as compared with a C. and D., or a 4-ton rate as compared with any quantity rate. There is an enormous variety.

7105. I quite follow that. A man would come along and say: "What is my rate from A. to B. S. to S., 4-ton lots?" The clerk would find the S. to S. scale rate, say so much deduction for being in 4-ton lots, and if he says also on owner's risk so much further reduction for owner's risk, and he would quote him the rate?—Yes.

7106. All that the clerk would have in the book to enable him to do that, in the first instance, would be the S. to S. rate stated in figures, and a memorandum at the top of the page or at the beginning of the book as to what discounts were to be allowed. A man would know that his ordinary exceptional rates were gone, and would have to apply to know where he stood in future. If he had got any special circumstances he would then lodge an application that a new exceptional rate should be granted, and, if necessary, it might be provided that where a man had had an old exceptional rate and had lodged an application for a new exceptional rate, his old exceptional rate should obtain until the new exceptional rate was decided?—Would not that leave you with the necessity still of going through the whole of your rates to see whether it should be continued?

7107. No. You would wait till you got a claim to continue one?—Yes.

7108. All the book work which you were speaking of and going through the old exceptional rates to see whether they were above or below the new standard of the allowances made would dis-

appear. It would simply be that there were no exceptional rates, but there were rates in regard to which discounts are allowed. A trader would find that they did not satisfy him, and would then lodge an application that his own exceptional rate should be renewed, and an entry would be made in the book pending a decision of that question that he should be allowed to work on his own old exceptional rate until such time as the matter had been decided?—I think it would reduce the labour under the Interim proposal, because presumably you would not have any applications with regard to obsolete rates; that one agrees would be a considerable saving. On the other hand, I think by comparing it with what I call the general proposal it is one which, it seems to me, would be very much more inconvenient to the trading public, and the result would be, you would still have individual rates and no scales; you would have to produce your scales and tariffs later on.

7109. We will look at what we call the general proposal now and see. I am not sure that that does not give you pretty well the same, and perhaps more book-keeping than the one I have suggested?—It will raise the same point that the traders will have to take it up with the railway company if they wish the rate to be continued.

7110. *Mr. Davis:* I suppose the suggestion I am going to put forward is quite inapplicable, but assuming you had the power and the right to scrap all these exceptional rates and begin *de novo*, as it were, to set up what exceptional rates are necessary now, would not that save an enormous amount of time?—I think that is very much the general proposal. That begins theoretically with a scrapping of existing rates, and says that such and such tariffs will apply. Then it proceeds to re-establish those exceptional rates that can justify themselves either at the old level or at some other level.

7111. My point was, that in respect of going through these millions and millions of rates you scrap the lot and by doing so, whether you could not economise in the whole work of the railways by beginning *de novo* and saying what class is now fitted to be an exceptional rate?—Yes, but you would still admit that there might be cases where something below the new level would be justified.

7112. Quite?—I think you will find that the proposal, which I call the general proposal, is very nearly on those lines.

7113. *Mr. Acworth:* As I understand it, any of these proposals would imply that the right to an exceptional rate, whether to be continued or to be restored, would be primarily a matter for discussion between the railway granting the right and the individual trader?—Yes.

7114. It would only be in a case where they did not agree that it would come before this tribunal?—I think so. I think having regard to the volume of the rates—

7115. I quite agree, but what is occurring to me is this: nobody has ever been able to lay down any general theory as to how much right a trader has to his geographical situation or to his historical situation. How are you going to prevent the widest divergencies between one company's view on those subjects as influenced by the trader and another company's view?—So far as rates affecting more than one company are concerned, that must obviously be by agreement.

7116. There you may get a clash of two views?—Yes. There are regular understood rules by which those rates are agreed now. So far as individual companies are concerned, in their local rates there is no guide except the commercial sense of the individual company.

7117. But you would agree that the length of the foot of the goods manager has varied; it has not been a standard foot in the past?—No, fortunately it has not.

7118. I do not know whether it is a good thing or a bad thing, but how are we going to get over that?—I do not think you can. I think if you are

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going to take away from the railway companies the right to assess the commercial considerations—

7119. From the individual company?—If you are going to take from the individual company the right to assess the commercial considerations which would influence them in quoting a low rate, you are taking away the whole essence of management.

7120. Would you not agree that it was desirable that there should be an agreement as to what are the general principles. Each man cannot help giving more weight to one consideration than another man would, but would it be possible to get some kind of agreement such as this, for instance: take the question one or two cases of which we have had from different parts of the country about people who claimed an acquired situation under old Acts of Parliament. You remember at various stages they have come up?—Yes—you mean old agreements?

7121. Partly old agreements and partly Acts. Would it not be necessary to have some preliminary agreement between all the companies as to how that kind of thing ought to be dealt with?—The railway companies, of course, are perpetually on a variety of matters coming together and saying, "It would be advisable for us all to consult before we do these things," but I doubt if it would be desirable to lay down by Act of Parliament or in any other way the particular points on which they should consult one another.

7122. Do you not think they ought in some shape or form? Supposing a number of them are coming up before the tribunal, the tribunal clearly will gradually form theories upon which it will proceed?—Yes.

7123. Would it not be very desirable that the railway companies, that the tribunal we will say, or that the traders should hammer out those theories before you set to work clearing your decks?—I am afraid I am very largely sceptical about theories. Obviously you must not carry a thing out at a loss, but even then I can imagine circumstances and considerations which might lead you to fix a rate at almost any figure. It is a case of enabling a dying trade to survive or enabling export traffic to be carried out. I can imagine a number of reasons why you might want to fix your rate at the lowest minimum above cost. I fail to see how you can put it down in any formula.

7124. Let us assume you have got an operating ratio of 60 per cent.; do you think one company ought to carry traffic that gives it, we will say, 5 per cent. over actual cost in order to stimulate a dying trade, and another company should say: "No, we will only give 5 per cent. from the normal scale under those circumstances"; would that be good business?—I do not think the operating ratio has very much to do with it.

7125. It has to do with whether it is a loss or not?—No. That takes into account a lot of expenses which are not out-of-pocket.

7126. Let us call it cost of the carriage instead of operating ratio—actual cost of carriage of the particular consignment?—That, of course, varies with the different companies; it varies with different commodities naturally, too; I do not see how you can lay down any rule that is going to apply automatically to any case that may come up.

7127. You cannot dictate the application, I agree, but do you not think it is desirable that there should be something settled in advance as to the kind of consideration you should give to certain factors?—I think you should draw up a list on a sheet of foolscap of the sort of considerations that are relevant to the quotation of a low rate.

7128. Do you think you could quantitate that and say: "10 per cent. to 15 per cent. for this"?—Absolutely impossible. After all, you are quoting a rate—we will not say to meet water competition, because that is invidious, but you are quoting a rate to get to a distant market. The standard rate will not enable you to do it; a reduction of 6d. might enable you to do it; why go more than 6d. Another case might arise where we might have to

make a reduction of 5s. or 50 per cent. in the rate. If you can carry at a profit why not do it?

7129. You have given a very good instance of what is in my mind. If group A. company is ready to give a very large reduction in order to get into the distant markets in group B., and group B. company is only ready to give quite a small reduction in order to get into the markets in group A., it is a little hard on the traders in group B.—It would be harder if both were put to the level of company A., would it not? It seems to me you must leave those things to individual companies. After all, if some company adopts an unwise policy as regards keeping its rates up there is access to the tribunal with reference to the practice of other companies, and a number of other ways in which they might bring their case. You will not standardise on what you may call the most far-seeing practice; you will standardise on the least far-seeing because it is the only one everybody will agree about.

7130. Mr. Martin: If you do away with all exceptional rates the trader will be entitled presumably to a reduction on account of certain conditions on which he is going to carry. You do not call that an exceptional rate; that will be the ordinary carriage rate on conditions which will entitle him to a certain rate?—That is not quite the proposal. The proposal was for raising exceptional rates. It was to apply a standard for raising exceptional rates; it was not a proposal for the reduction of existing rates.

7131. No, but at the present time, as I take it, what we are pointing to is that there will be a certain rate in the book, and there will be conditions which will give the trader a lower rate of 4 tons or certain other conditions. In addition to that, if the trader wants an exceptional rate, which is below the allowance you will agree to give him, he will come to the railway company and ask for a special rate, and it is a matter of bargain as between the trader and the railway company whether they can meet him; is not that so?—At present.

7132. Well, it would be under those conditions still, would it not?—He would come along and say: "I can give you 10-ton loads instead of 4-ton loads; will you quote me a reduction?"

7133. Or he may want a bigger quantity for export to develop his export trade. Would it be open to that group of railways dealing with him to give him that rate if they think it advisable?—Yes.

7134. If they did not think it advisable the trader could then go to the tribunal and say: "I am asking for a special rate, and I want the tribunal's opinion upon it." He is at liberty to go to the tribunal on our proposals and complain of any rate.

7135. After having been to you and trying to make a bargain with you?—Yes. It would take the form of a complaint against the rate we were charging.

7136. Mr. Jepson: Would it not act as a sort of corrective to what Mr. Acworth was saying, if any exceptional rates, which may be agreed between the railway company and the traders, making it therefore unnecessary to go to the tribunal, should be reported to the tribunal so that the tribunal might know what was going on between individual companies. One has cases in one's mind where an individual company purely on its local line has given a very low rate to get a commodity from a distant or particular market. It has had that effect, but it has had another effect, that another railway company in another part of the country at the instance of its traders has had to do the same sort of thing, perhaps to pull down its existing rates in order to enable the competitive producer of the particular article to compete?—Yes.

7137. That is the sort of thing, of course, one would like if one could to provide against without unduly interfering with the freedom of the company to do what it thinks best in its own interest?—Are you speaking now of procedure to be adopted in dealing with this general revision of exceptional rates or in future?

7138. In future. I am assuming that we get a lot of tariffs to take the place of exceptional rates, and

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then there is an application comes along from traders in a particular district, who want to lower the tariff. It is open, with the freedom that would be left to the railway companies, to the particular railway company to agree with that body of traders to give them something below the tariff—what we have just now called an exceptional case?—Yes.

7139. There would be no provision for publishing that, so that the whole world might know of it, and for a long time it might not be found out?—Yes.

7140. It might be acting to the prejudice of traders in another district?—Yes.

7141. When it was found out there might be a little bit of a row, but it might save all that if some machinery could be devised by which such cases as those, that is, departures from standards agreed between the railway companies and the traders, and not at the instance of the tribunal, should be reported to the tribunal?—Yes.

7142. So that there would be not exactly sanction but some record would be made?—I do not know if the companies have considered that, but obviously it would be a way of insuring publicity and preventing secret reductions. I think it is quite a practicable proposal.

Mr. Bruce Thomas: There is one observation I would like to make upon the question Mr. Acworth put with regard to preserving the geographical position of the trader. Of course, at present the only protection a trader has which assists to preserve his geographical position is the law of undue preference.

Mr. Acworth: To preserve?—No, he has the Act of 1893 to preserve it.

Mr. Bruce Thomas: True, if the rate is put up, but this is the point I wish to draw attention to: If a number of railways are cast into one group it is obvious that the sphere of operation of the law of undue preference will be considerably extended, and it must follow from that that there would be a considerable benefit to the trader. Then, Mr. Acworth, if I might make one other observation upon the point you put with regard to opening up markets in two groups, a trader in one group might object, I think you suggested, to a trader in the other group being given a low rate to get to his market, whereas he might be refused a low rate to get to his market; he would not be concerned with it unless there were competition. If there were competition, I suggest that would be a matter that would be covered by the existing law of undue preference.

Chairman: No. Take this case, which we had brought to our notice: Peek Frean's can send into Scotland their biscuits, McVitie can send to the South of England their biscuits, each of them having an exceptional and favourable rate. Supposing the Scotch railways refuse to give McVitie that favourable rate or give him a much less favourable rate than the English railways grant to Peek Frean, McVitie would have a grievance, but he would find it very difficult to show an undue preference.

Mr. Bruce Thomas: I quite agree.

Chairman: All Peek Frean's rates would be quoted from the station where he put them on board, and McVitie would not want to be sending any biscuits to that station.

Mr. Bruce Thomas: Quite so, but the reason why McVitie in that case would not have any relief and would not claim any relief under the existing law of undue preference would be because he is dealing, in sending his traffic to Carlisle—I think the instance was—with the North Western Railway, and the trader cannot complain that the Caledonian Railway is giving a competitor of his better terms than the North Western is giving him.

Chairman: Precisely, and that is the case that Mr. Acworth is suggesting. In that case if you did not have uniformity in practice with regard to granting rates on geographical grounds, one trader might have a considerable grievance against another, but with no relief.

Mr. Bruce Thomas: With great respect, Sir, I think the instance that Mr. Acworth put was that of a trader in one group sending traffic into another group.

Mr. Acworth: I am thinking of something much wider than the existing law of undue preference, which is 66 years old and capable of improvement. I am thinking of the case of traders of a whole district suffering from the fact that they have a company that refuses to give them a chance to get into another whole district, whereas the traders in the other whole district can come into theirs. I am not the least concerned whether it is an actionable thing under the Act of 1854 or not.

Mr. Bruce Thomas: I understood that the example you put was just one set of traders in one group complaining that they were not given fair rates to get into market.

Mr. Acworth: Traders as a whole, quite independent of who is competitive with him—the whole trade of the district; the whole business of the district.

Mr. Bruce Thomas: I quite agree if there were no question of competition no relief could be obtained under the existing law.

Mr. Jepson: You are quite right in saying, I think, that if these groups come about and railways in each group are treated as an entity does very much enlarge the scope of the law of undue preference favourably to the traders.

Mr. Bruce Thomas: It enlarges the operation of the law immensely.

Chairman: Perhaps Mr. Wedgwood now would deal with how the general proposal would work out.

7142a. Mr. Bruce Thomas: That is the second stage?—Yes, I have described the first stage.

7142b. Chairman: First, the railway companies would work out and submit their proposed scales and tariffs, and you said you thought that could be completed within 12 months after the passing of the Act?

—Yes. The second stage would then be the publication of the scales and tariffs as approved provisionally by the Committee, and it would then be announced that any trader who wished rates below those published to be maintained would have to take the case up in the first instance with the railway company concerned, or with the group of railway companies concerned. There would be a period of negotiation. If the trader and the railway company failed to agree the matter would come before the tribunal that then existed for dealing with rate questions. If they agree it is suggested, in view of the volume of business, that that should conclude the matter. It would obviously be necessary, not only for the railways and the traders to confer, but for the different railways to confer among themselves.

7143. What would you do in the interval between the publication of the scales and tariffs and the time that the matter was settled either by agreement or by reference to the tribunal; what rate would you charge the trader?—The old rates, I think, should apply—the rates in existence before the schedules are deposited.

7144. Would not that result in everybody who had an exceptional rate in the smallest degree below the new tariff and scale promptly putting in an application, even if he thought it was hopeless, and keep it hanging on as long as he could?—The first effect, I think, undoubtedly would be that every trader would put in his claim. We should have an immense volume of claims put in.

7145. Really, you would only get rid of the obsolete?—We should get rid of the obsolete—all those in which traders thought they had not got a case.

7146. Even if they had not got a case, if they were 6d. below, they would say: "Well, we will, at any rate, get the old relief to the extent of 6d. continued until our case is disposed of. We will negotiate with the railways for six months; then we will set down our appeal."—It is perhaps optimistic to suppose that any rate which was not obsolete would not be put in. The first effect, as compared with the other system, would be that your obsolete rates would drop out

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automatically; still more so if it could be combined with a definition of what was an obsolete rate.

7147. *Mr. Jepson*: In your paragraph 6, as I understand it, the proposal is that the schedules of scales and tariffs after they have been submitted and approved shall not come into operation until an appointed day, and that appointed day is to be fixed far enough off to allow traders interested in exceptionally low rates to confer with the railway companies, and, if necessary, the tribunal, and get some decision. Of course, there must be a limited period to that; it could not go on for years?—No.

7148. During that period, of course, the new scales and tariffs could not operate?—No.

7149. But when the appointed day is fixed, and given sufficient time for those exceptional rates and scales to be considered, then on the day the new scales come into operation, and all exceptional rates go except those that have been approved by the tribunal or agreed with the railway companies and advised to the tribunal in the meantime?—Advised to the tribunal is a new point.

7150. Well, some sort of machinery of that kind?—Yes.

7151. *Chairman*: Have you thought of any estimate of what length of time it would take to dispose of all these applications from the traders?—You might get applications in regard to, say, two-thirds of your 40,000,000 rates. A time would have to be appointed for conferring, whether by letter or by interview. Your four minutes a rate would not be sufficient for that?—It would be a very lengthy proceeding. We should probably confer, first of all, with trade organisations—the iron and steel trade, for instance.

7152. *Mr. Jepson*: How many of these 40,000,000 rates, as you have said, are obsolete rates?—You do not know until "obsolete" is defined.

7153. A good many millions of them, of course, would be dealt with, because you would have dealt with all those included in the tariffs?—Yes.

7154. All those would have gone, especially what we call commodity rates. You will have dealt with all those where an S to S rate has been given where the class rate was C and D; those will all go automatically?—Yes.

7155. You have largely disposed of all those exceptional rates which have been given because they are in 2-ton, 4-ton, and 6-ton lots, because those will probably have been met by the tariff, or an alteration in the class, or a condition of the classification?—A large number will disappear in that way.

7156. But a large residuum will be left which will not be anything like 40,000,000 rates?—No, I think not.

7157. It will be down to a small number comparatively?—Yes.

7158. If you took a representative case, assuming that that was established one way or the other, that might knock off 1,000,000?—We might get a few test cases decided by the tribunal, or the tribunal might lay down certain rules upon which they would proceed and say: "We will not consider any rates less than 10 per cent. below the tariff," or something of that kind.

7159. Of course, otherwise it would take years and years to do it?—I think the general sense of the community would find various short cuts for getting this disposed of.

7160. You could not get them up in three weeks?—I would not suggest three weeks.

7161. You cannot deal with 50,000,000 or 40,000,000 in that time?—I fear it would be much more than three weeks.

7162. Would you say 12 months or two years?—Two years.

7163. *Chairman*: That is, after the schedules and tariffs have been deposited, the appointed day shall be fixed two years ahead?—That has been discussed by the companies, and two years is put forward.

7164. *Mr. Acworth*: Would they all go together or separately?—I think they would all go together to show the quota between the different industries.

7165. *Chairman*: Then you have got, after you have brought in your scales and tariffs, which will take a year from the passing of the Act, the consideration of these and the approval of them by the tribunal, which will take six months nearly, or 18 months from the passing of the Act; and then you have another two years for the consideration of the exceptional rates before your appointed day?—I should think we should be prepared to say two years from the day of the deposit of the Schedule. We want 12 months for the deposit of the Schedule and two years from the appointed day. It is a period of three years.

7166. Your exceptional rate man will not be able to come to agree his exceptional rate until he knows whether the scales and tariffs are going to be accepted. He will say: perhaps those are not to be the scales and tariffs, and perhaps need not apply for an exceptional rate, because a lower general rate will be fixed?—If there was considerable delay in securing the approval of the tribunal to the new rates and scales and tariffs, it might be necessary that the companies and the traders together should come to the tribunal, or whoever was the authority, and suggest an extension; but at the moment all we contemplate is two years from the deposit of the Schedule.

7167. That gives you three years from the passing of the Act as the minimum time?—Yes. It is a very large undertaking to deal with all these exceptional rates and regularise them and remove all the anomalies. Forty million rates is a very big total.

7168. I know it is an enormously big question, but any method which would cut out a very large number of them would be very valuable. We do see the advantage of this scale. This would get rid of obsolete rates, because nobody would apply for reinstatement. If a rule were laid down that a rate which was 10 per cent. below the scale would not be considered, that might get rid of a number more, and some will be partly absorbed in the scale?—The obsolete rate could be dealt with by saying no rate which has not been used for more than a certain period.

7169. In that way, it automatically goes. You might get a rate which had been used six months ago, but which nobody thought it worth while applying to be absorbed?—You might also, I am afraid, get a number of rates recorded years ago in the books of some manufacturing firm which were then unearched for continuance.

7170. One might add that any which had not been used for two years should be passed by?—I think a provision of that kind would obviate a great deal of discussion.

7171. *Mr. Acworth*: Have you had anybody looking at what is being done in France?—I am afraid not.

7172. I do not know much about it, but I see they are going through the same process. I constantly see in the French railway newspapers a statement that tariff so and so is absorbed into the new tariff. They are going through the same process as we are, and they seem to be getting on much faster?—Perhaps you could tell me this? Do they rely on individual quotations to anything like the same extent that we do?

7173. I do not think to the same extent?—They have a large number of tariffs already.

7174. But they do not to a large extent rely on what we call exceptional rates?—I will make inquiries into it, and see if we can get any suggestions from them which will shorten the process.

7175. I do not know whether you contemplated three or four years when you started to discuss this?

—The second stage we have always talked of two years about as being the shortest we could do it in. There is an immense amount of detail to be done.

7176. *Mr. Bruce Thomas*: I think you have completed the second list of what is to be done under the general proposals?—Yes.

7177. Will you point out what, in your opinion, are the advantages in favour of the general pro-

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posals on a comparison of the two?—Yes. The first point with regard to the general proposal is that when it is completed you have got something which, for want of a better word, we may call a scientific basis. You have your tariffs then as the main backbone of your rating system. It is true you have a large number of exceptions as well, but you have a scale capable of being set out on a mileage basis, whereas under the interim proposals you would have merely the continuation of the present rate system on individual quotations between pairs of stations and scales very few and far between. Therefore, if you wanted at the end of the interim proposal to put yourselves into, again I use the words, the scientific position that we have been aiming at, you would have to begin all over again. Your work would not be materially simplified. The individual rates you would have arrived at by the process of discounting would not of necessity fall into any tariff, because they would be based upon class rates which themselves would need modification in order to be put into such a tariff.

7178. You would not have solved the problem of having mileage scales and tariffs?—No.

7179. You would have to go into that and begin afresh?—Yes.

7180. What is the second advantage that you see in the general proposal?—The second is that the labour, from the point of view of the railway companies, is very much diminished, or putting it in another way, basing it on the fact that the labour available is limited, the time would be very much shorter. The difficulty of the interim proposal is, as I think has been pointed out already, that you have no way of short-circuiting the obsolete rates.

7181. *Chairman*: The proposal I put just now would do that. You, theoretically, abolish exceptional rates, but you tell every man who had an exceptional rate he would be allowed certain discounts according to the conditions, and that anybody else who desires to preserve the exceptional rate must apply, all obsolete rates would go at once. All that four years' working out of the particulars of rates would go, and the only thing you would have to deal with would be the people who applied for the continuation of their exceptional rates, and that will be the same in the proposal we just discussed?—I am not sure that I quite grasped your suggestion. I would like time to consider it. What strikes me as the difficulty with obsolete rates is that the railway company does not know off-hand what rates are obsolete.

7182. My proposal is that you abolish all exceptional rates except those in respect of which application is put in for their revival or survival?—But you would have to advise the trader that his exceptional rates are put up by a certain proportion.

7183. You would advertise generally that exceptional rates had all been abolished and for them were substituted the new rates consisting of the old rates with certain allowances from it according to the conditions. If any man wished to preserve an exceptional rate which he at the present time had, he must make a special application. If a man missed the advertisement, the facts would come to his knowledge the first time he wanted to send his goods, and applied to get his exceptional rate. He would not get it, and he would say: How is this? The clerk would tell him the papers had been full of advertisements to the effect that exceptional rates were gone. He would have missed his chance of making an application for the one occasion, but he might have another opportunity?—You would make it dependent on the trader in the first instance writing to the railway company and wanting to know what will be done about my rates, and then giving his list.

7184. He might do that. He would see a public announcement that the exceptional rates were gone, with an addition that if he sent them subject to certain conditions he would get various allowances on his goods. Probably he would at once send round to the office at the station and say: What will be

my allowance? I principally trade from A to B; I also trade from A and C and A to X, and so on. The booking clerk would then say: "Those are the station to station rates. If you send them subject to certain conditions, you get a discount which you can work out for yourself." He would go home and he would work them out. He would find they were either as good or not as good as the old exceptional rate. If he thought they were as good as the old exceptional rate he would hold his tongue. If he thought they were better, he would still more hold his tongue. If they were worse he would say: Cannot I have my old exceptional rates revived? He would get into a discussion with the railway company, and he would be told perhaps it is so little below the general allowance that it is not worth while. If it was trivial he would agree, but if, in his opinion, it was not trivial he would say: I will go to the tribunal?—I would like to give it further consideration. You might in that way cut out the obsolete rates. I think the attitude of the railway company will be: "Send your list of rates, and we will tell you what they have become." I think the calculation of the alterations would be so intricate that the ordinary trader could not do it, or would do them wrong, and they would have to be done by the company. In that way you could not send him a selection very well.

7185. *Mr. Jepson*: You could not leave such a calculation as that to the ordinary station clerk?—No; it would be a very big matter. That is where it differs from the general proposal. The general proposal gives the figures that his rate will be. It is published. When he sends in his list to the railway company the railway company need make no calculation at all; but it would say: "See the published list," and give no figures at all. If it was very obliging it might give the list as it compared with the published schedule. That is how you would lose a great amount of time even under the modified proposal. The rest would work out in the same way as the general proposal. It would mean some negotiation and the rest of it.

Mr. Bruce Thomas: If you want nothing more about these exceptional rates, I want to ask Mr. Wedgwood to say a word upon group rates.

Mr. Jepson: I suppose we may take it, as a general principle on which the railway companies are acting that, as regards special commodities which have been referred to, such as pig iron, grain, timber and so on, which will form the subject of special tariffs, the one inducement to the trader to send big loads will also be made either by a percentage or by a classification. Mr. Wedgwood has not told us about it. One would like that one of the general principles upon which rates should be based would be to offer as an inducement to the trader a lower rate for the bigger load.

7186. *Mr. Bruce Thomas*: Perhaps you would deal with that?—The position is we put forward our proposals for the new scales with a tonnage minimum based on what we regard as the moderate maximum load for the class of traffic; that is to say, we do take into account the fact that there are a good number of small capacity waggons still in the country, but with due allowance for that, and for the fact that the individual commodities in a class vary considerably in their loading capacity we have put forward, or we shall put forward, because I am speaking of what had not yet been approved by the companies as a whole, some increased minimum weights.

7187. *Chairman*: In Class A it would probably be more than 4 tons?—Yes.

7188. In Class B more than 2 tons?—Class B is 4 tons to-day.

7189. Class C more than 2 tons?—Yes. I am speaking still subject to what is definitely decided.

7190. You are not giving any particular figure, but you are dealing with it at large?—Yes.

7191. What would you do with Classes 1 to 5?—There we are retaining the present arrangement—any quantity. I think I am right in saying that.

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[Continued.]

7192. Are you going to add to that that if sent in large quantities—I do not ask you to define the quantity, but I am assuming a certain number of tons—there will be a reduction either by percentage or by being put in a lower class?—No. We think it is desirable if a trader wishes to send a commodity in a large volume than is contemplated in the class rate.

7193. The class rate is a cwt.—a cwt. with 3 cwt. minimum.—I am speaking now of over the whole of the classes.

7194. I was speaking of the classes other than A, B and C?—Take Classes 1 to 5; if he wishes to send it on a 2-ton basis or a 4-ton basis, we think it is desirable that that should be done in each individual case by special arrangement. It should not form part of the classification.

7195. *Mr. Acworth*: Is each company to work it out in its own way? Is one company to be at liberty to give them freely and other companies generally to refuse them?—Subject to what I was saying about rates affecting two companies being agreed by two companies. Otherwise, for local rates it would be left to each company.

7196. You would have one group which would have the habit of giving six-ton loads, and another group which had the habit of not giving it at all?—Yes.

7197. *Chairman*: Except in classes A, B and C, you are doing nothing to encourage big loads—nothing in the scales and tariffs?—Not as regards 1 to 5.

7198. *Mr. Jepson*: Is not that a very great weakness? You will agree with me there are millions of exceptional rates for traffic in classes 1 to 5 which were given because of the two-ton lots and four-ton lots?—I am speaking only of what is in the classification. We have found that a number of exceptional rates are quoted in classes 1, 2 and 3, but they are very largely quoted for any quantity. We have met that—I think I can go this far—by splitting the class, but since there are reduced rates for any quantity we have not felt we could interpose a tonnage minimum. As regards the further question whether the classification itself should provide for an automatic reduction in the class rate for a larger quantity of traffics in 1 to 5, we have felt there that a lot of these commodities are already being carried in larger quantities—in one or two-ton or more lots without any special reduction. We do not think we are called upon to make any general arrangement to meet those larger quantities. If we do, we shall lose a very considerable quantity of revenue.

7199. You secure better packing and better loading I suppose?—It depends on whether you are already securing something like full loads.

7200. *Mr. Acworth*: Suppose you have a traffic that at present normally goes in 5-ton lots, and is in Class 5, what is the objection to saying Class 1 in 5-ton lots and penalising any particular person who chooses to send 5 tons in hundredweights by putting him into Class 2?—Well, I am afraid it is taking a power the railway companies did not think they were entitled to take; that is to say, to penalise a man who sends his goods in what is at present recognised as a normal quantity entitled to the ordinary rate. If a man sends traffic in Class 1 in 5 cwt., he gets the ordinary rate.

7201. If you have to put on 100 per cent. under this system, but you could get a levelling down to 90 per cent. by squeezing the people who insist on uneconomical methods of loading, that is surely in the public interest?—I very much doubt whether it is right for the railway companies to take that sort of attitude. After all, they live on the trade of the country. If the trade of the country is carried on in certain ways, it is certainly not for us to penalise people. By all means let us encourage sending in larger loads, but I do not know that the railway companies would be entitled, in putting forward a classification, to set about penalising people.

7202. *Chairman*: Supposing you have something in the present Class 1, and suppose the present Class 1 becomes Classes 5, 6 and 7 in the future, you can put the goods at present in Class 1 in any one of

those fractions. Would not it be a useful practice to put the particular article that is sent in a large lot in the cheaper one of those classes, and if it is sent in small lots in the dearer one of those classes?—That point has not been considered for the reason that I mentioned. Assuming all our exceptional rates in Classes 1 to 5 are classified in quantity, we feel it would cause too great a disturbance of trade.

7203. It would still remain in the old-fashioned Class 1, but it would be in the lower part instead of the upper part of the class if this sub-division is made?—We have an upper part and a lower part, but they are both any quantity. I am afraid I am going now more into classification than it was contemplated that I should.

7204. We want to know the general principle on which this is to be done. It affects an interim question which we have not yet disposed of, of what is to be done with the Liverpool people, who get a special rate for 10 tons alongside. It may be, if you are going to deal with 10-ton lots, it could appropriately be joined to that. If you are going to do nothing about 10-ton lots, then we have the matter in the air?—It is not contemplated in the classification which we put forward to deal with 10-ton lots. We think that is a matter which is better dealt with on each individual case, as has been the practice in the past.

7205. That is setting up again a very large number of exceptional rates?—It might be so, or it might be exceptional scales.

7206. *Mr. Jepson*: Or setting up a standard on which such rates might be based—10 per cent. for two tons, 15 per cent. for four tons for any article in the class?—We think it is important from the railway companies' point of view that any deduction of that kind should be carefully considered with reference to the individual commodity, because there are a good many individual commodities where we get full loads now, and we submit it is not desirable we should give away revenue where we are already securing the object.

7207. *Sir Walter Berry*: In a great many cases you do give more advantageous rates for larger quantities now. Take this case. Supposing I am sending 10 tons of apples weekly to Manchester, are you going to charge me the same rate if I send 10 tons in one wagon as if I send you 10 tons in five lots of two tons a day, so taking five wagons? Would you say it was good business to charge me the same rate when you will have to supply five wagons instead of one or two fair-sized ones?—I do not think we are going to alter the present practice of quoting lower rates where the circumstances appear to warrant it.

7208. *Chairman*: But you are proposing that each company should do it for itself, and that it should on each occasion quote a rate to each individual trader who asked for it?—Yes.

7209. *Sir Walter Berry*: That is leaving the arrangement to be made by each individual trader. Therefore there will be numerous occasions on which, in order to get the matter in order, you will have to have correspondence, and there will be millions of letters to deal with all these things instead of dealing with it by schedule?—We do not think it is capable of being dealt with by schedule.

7210. *Chairman*: Is there any difficulty in attaching to the classification schedules a statement that a percentage reduction would be made for particular loads? There you would deal with an individual commodity which was light and an easy packer. If it was a light thing like hay, you would be dealing with it on the assumption that two tons or $\frac{1}{2}$ tons went to the wagon?—Our objection there is that we think we should be giving away a considerable amount of revenue for very little advantage if it is done in that wholesale manner.

7211. If your proposition No. 1 on your paper that you are to be secured a certain revenue whatever happens is acceded to, whether it exceeds 50 per cent. or not, the persons really concerned will be the

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general public and not the railways, because their revenue is to be secured?—I would like to say on that first point we are not secured our revenue. The rates will be calculated on that basis, but who can tell that the rates will secure the traffic and not kill the traffic?

7212. I recognise that at once, but supposing you put forward a scale which does not include these percentage reductions, then you will compute your rates just as they stand without the percentage reduction, and the tribunal will do its best to fix it so that the revenue shall be produced about on that footing?—Yes.

7213. If you tell us you would lose a certain amount of traffic by making these percentage reductions, then the tribunal would have to give you a little bit more to produce the desired result, but the trader might be the gainer, because the men who packed their goods properly would get a reduction which they would deserve, and the men who only sent small lots, who would be men of less importance to the trading community, would not get a reduction.—I do not think it would quite work out in that way. Let me take as a sample case pig-iron. With pig-iron we get in nine cases out of ten, at the present time, a full load. The rate is a 4-ton rate. It is a very low rate, and I think it is fair to say it would not have been quoted so low unless we knew we were going to get full truck load rates. If we quote a reduced rate for pig-iron we are simply throwing money away.

7214. Why not quote the standard rate for pig-iron at the full load of six tons, and then have a rate somewhat higher for a load less than six tons?—That is what we are proposing. Six tons will be the class figure, and if it is less than six tons it will go at a higher rate.

7215. Mr. Jepson: Pig-iron is not a class rate in the sense which we are talking. We are talking of classes 1 to 5, which apply as the class rate to anything over 3 cwt. for the tonnage rate. The suggestion is that something should be done to meet the men who gives you the better load. The question was whether it should be done by classification or whether it should be done by a percentage over the class rate. I think the Committee have in mind the desirability of getting rid, if they can, of all these numbers of exceptional rates to the class rates in classes 1 to 5 traffic. Take sugar, as a commodity in which everybody is interested just now. Is sugar always going to be charged at the second class rate or the first class rate, whichever it is, without any reduction for quantity except that you give special exceptional rates?—The case of sugar would have to be met by a continuation of exceptional rates such as are quoted now on the 5-ton basis, but it is quite a different proposition to say all the commodities in class 1 shall be given a reduction of X per cent. if they send 2 tons or 4 tons.

7216. Mr. Acworth: There are some 15 and 20 tons lots in operation?—Yes, I believe in the list I supplied there was a 2-ton case.

7217. Chairman: Why not put in your schedule a note against each article, "Sugar, 5-ton lots, so much as a percentage reduction"?—If you give us another mouth or two to consider the matter we will look into it, but it has already been done along the other lines.

7218. Mr. Acworth: You recognise the economy of mass production on the railways like other things?—Yes.

7219. You are aware that railway companies in many countries deal with it in that form, and encourage a much lower rate for the large consignments?—I am not sure whether they go beyond the truckload. I think in Germany it is the truckload.

7220. There are three standards: small consignments; 5 tons; 10 tons?—It is a truckload.

7221. Or half a truckload, or small consignments?—The economy is beyond the truckload.

7222. I am asking beyond the truckload?—You are still talking about classes 1 to 5?

7223. Yes?—Yes.

7224. Supposing the economy is recognised, and it is in the public interest that the system is introduced, you still say it is desirable it should be left to each individual company at its own sweet will to do what it thinks proper?—Yes, I believe the result has given fair satisfaction.

7225. Mr. Jepson: You do still burden your books with a vast number of exceptional rates, which may be produced and calculated on quite a different principle?—Yes. I think perhaps you are misunderstanding me. It might be possible to deal with some particular commodity, we will say sugar, by a scale and not by exceptional rates, but that scale would not form part of the classification, and would not form part of our submission at this stage. We might put forward for sugar a scale at 5-ton lots for larger quantities. Those are the kind of details which we have not been able to go into yet, and therefore are not included in our submission. It is quite a possible solution as regards individual commodities, but we do feel very strongly that to say in a sweeping way, "Anything in class 1 which is not in 2-ton lots shall get a lower rate" is treating the matter very hastily, and probably unwise.

7226. It may be necessary that commodities like sugar and other things which are carried in 2, 4 and 6-ton lots to-day may be taken out of the classification so far as those lots are concerned, and made the subject of a special tariff, leaving nothing else than 2-ton lots or 4-ton lots still to remain chargeable at the class rate?—Yes.

7227. That would take away a lot of the objections?—That is a possibility. We are not submitting anything of that kind, mainly because we have had to confine ourselves to general re-classification.

7228. Chairman: Are you going to deal with owner's risk and company's risk on a percentage, or how are you going to include in the scales and tariffs which you submit the respective charges to be made for the owner's risk or the company's risk?—That will be on a percentage basis. We have not yet got our actual figures comparing claims paid on individual traffics with actual traffics passed.

7229. Will that be indicated in the classification?—I would like to make sure of that, but I think not.

7230. Where would that be announced to the public, then?—I think it would ultimately form part of the classification, but I am not sure that we are ready to put it in the draft classification.

7231. Mr. Jepson: It is the part which speaks about X.Y.Z.?—Yes, the figures are not completed.

7232. Chairman: Would you be able practically to attach a figure to every commodity?—There are certain commodities—I suppose a number of them—where we shall submit to you there is no practical risk involved. I can quote an extreme case—certain kinds of iron and steel.

7233. There is always the possible risk of a railway accident?—It is so small it is not worth talking about—½ per cent.

7234. So small that nobody would ask for company's risk?—Yes, if it is going at owner's risk, that is all right. Sometimes it is going at company's risk, and there will be a reduction against which we should have nothing to set.

7235. Mr. Jepson: You are not proposing to enlarge the area of goods which are carried at owner's risk?—We have announced that we are prepared to carry everything on which there is a real risk at either rate.

7236. Chairman: You might have a winding-up clause that everything not specially mentioned might be carried at 1 per cent. difference?—Yes. I think that would need some consideration.

7237. Mr. Bruce Thomas: With regard to the suggestion that Classes 1 to 5 should have a note attached that there would be some advantage if large loads were given to the company, is it in your view in the public interest that the matter should be left to the railway companies to deal with each case as it arises?—I think so.

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7238. *Chairman*: Will you tell us why it is in the public interest?—For this reason. 'It should be the endeavour of the Committee in fixing rates to secure a good revenue to the companies. If we give revenue away in one direction it will have to be the endeavour of the Committee to recoup ourselves in another direction. Therefore, we shall be, in my opinion, in many cases, giving money away without advantage, and having to get it from somebody else.

7239. *Mr. Bruce Thomas*: Just turning to group rates, is it the proposal of the companies to maintain the existing port groupings in future?—Yes, subject to some minor alterations we propose to retain the port groupings. I ought to say the question of group rates was raised at an early stage in the proceedings, and the railway companies undertook to answer certain questions.

7240. I think it was raised by Mr. Jepson on the seventh day, on page 15. Mr. Jepson said: "When we come to the railway companies' case I suppose we shall have some expression of opinion from the companies as to whether these big groups of rates should not continue." The view is that, generally speaking, they should continue?—Yes.

7241. You would propose to discontinue a number of other groupings which are in existence at present?—Yes, there are a number of groupings that have been merely adopted for convenience really in avoiding multiplicity of calculations—what you might call geographical groupings.

7242. The reason for their existence will cease with the adoption of a tariff?—That is so.

7243. *Mr. Jepson*: You would have to have some means of expressing those things. You could not apply the mileage rate, for instance, for I take it these tariffs and scales put forward would be on a mileage basis. Therefore, any grouping of ports would have to be specially expressed in some way?—Yes.

7244. From the point of view of competition, there might be the same rate for a similar article from Birmingham to London as from Birmingham to Liverpool. Having varying distances, there would have to be some means by which a trader could find out what the charge would be. It would not be strictly on mileage unless you said for Birmingham to Liverpool and London to Birmingham adopt the Liverpool mileage, or something of that kind?—I do not know on this point that the companies are agreed, but I think in the end it will be necessary to deal with these as exceptional quotations. A fictitious mileage might be adopted, but I do not see what you would gain by a fictitious mileage. It is a special mileage or nothing.

7245. *Mr. Bruce Thomas*: You agree that the maintenance of special trade groupings is not compatible with the existence of a mileage tariff?—Yes, we should hope to clear away a good many of these trade groupings when we succeed, if we do succeed, in adopting the mileage tariff applicable to these particular traffics.

7246. *Mr. Acworth*: Would the group rate in South Yorkshire coal to London disappear, for example?—The general policy is to abolish these groupings. Whether that particular one would go, I could not say.

7247. That is the kind of principle?—I think that rather comes under the head of trade grouping. We might find it was a convenience to the trade to have a uniform rate applicable to a large number of collieries.

7248. Could you give us an instance of the kind of thing that would disappear?—It is a common thing in quotations of through rates between companies, especially if they are a considerable distance from

one another, to group the whole of the stations in the area of the one company and in the area of the other, and to quote a common rate between the two. That is a purely geographical grouping. So far as we are able to adopt a common tariff and cover those two companies that would cease.

7249. That instance is for all traffics, not special traffics?—That probably is for class traffic in particular.

7250. In the case of the North British and the North Western there is an average percentage that each takes on a proportion of the rate; is that the kind of thing you mean?—Yes.

7251. That is apart from the trade groupings?—Yes, apart from the trade grouping.

7252. *Chairman*: Have you any proposal with regard to the London grouping?—I am afraid I cannot answer that offhand.

7253. It is a thing which has been mentioned very often in the Inquiry?—Perhaps I am not very clear about it. A number of stations will be classed as London. We have drawn up a number of stations which are called London. If that is the London group, that will be maintained.

Chairman: That includes the docks.

7254. *Mr. Jepson*: You would not alter really in principle the existing London system?—No, we have drawn up the list of London stations. That is rather a group of stations than what I call a group rate.

7255. It takes in all the docks and it takes in delivery by truck, cart, or barge, all at the same rate, and so on. It is not proposed to interfere with things like that?—No. We have drawn up for that the towns where there are competitive stations—a list of the stations which will affect either the London group or the Manchester group or whatever the group may be. The group I had in mind was the group rates where you cover an area not over 30 or 40 miles.

7256. Geographical grouping?—Yes.

Mr. Clements: With your leave, the traders whom I represent desire to call evidence to deal with the matters which have been discussed this morning and contained in this document which was handed in yesterday.

Chairman: It is not worth while entering upon that now at this hour of the day, but possibly you would be good enough before next Tuesday to prepare a little statement—I could not ask you to go too far in it—showing on what points you are in difference with the railway companies. It would assist us a good deal if we had that short statement showing how far you differ from or agree with not this document but the evidence which has been given with regard to it.

Mr. Clements: Combining the evidence with the document, presumably?

Chairman: Yes, so that we would see where there is an issue, and then you could ask any questions you see fit to clear up any matter which is not now clear. Then you will tell us the evidence you want to call, and on what points, and we shall see where we are.

Mr. Clements: I am much obliged to you, Sir. We will endeavour to do this. You will not require us to hand that in till Tuesday morning?

Chairman: No. Next week we propose to sit on Tuesday, Thursday, and Friday, but not on Wednesday, as some members of the Committee have other engagements which they cannot very well alter. On Friday we shall be rising somewhat early, probably sitting from 11 till 2 o'clock.

(Adjourned to Tuesday next at 11 a.m.)